



Central Bank of Nigeria

Rule Book

(A Compendium of Policies and Regulations)

Volume V

Volume Five

Foreword

This is the fifth Volume of the Central Bank of Nigeria (CBN or the Bank) Rule Book, which is a **compendium of Policies and Regulations** issued by the Bank. It follows the fourth, and both covering Policies and Regulations for the three-year period of 1st January 2019 to 31st December 2021. It is an invaluable reference material to stakeholders to enhance ease of access to the policies and guidelines of the Bank.

It provides new and revised policies, rules, circulars, guidelines and regulations that were released during the period to guide the operations and compliance of banks and other financial institutions, as well as the expectations of other stakeholders, both locally and internationally.

It is pertinent to note that within this period, 2019 – 2021, both the Nigerian and global economies were affected by the impact of the coronavirus, Covid-19, pandemic. The impact in 2020 was most severe, necessitating various measures by governments, including central banks across the world. The Central Bank of Nigeria was not left out in these efforts that spilled over into 2022.

It is with great pleasure, therefore, that I introduce this fifth edition of the CBN Rule Book to the banking community and members of the general public. The Bank will sustain this effort and ensure all available channels of information dissemination are utilized for the benefit of the general public.

Godwin I. Emefiele, CON.

Governor,

Central Bank of Nigeria.

July, 2022.

Preface

This fifth edition of the CBN Rule Book complements the fourth, by providing the remainder of financial markets related Policies and Guidelines released between 1st January 2019 and 31st December 2021. The objective is to sustain the Bank's strategy to constantly communicate and inform operators and members of the general public and enhance transparency and efficiency in the flow of information and avoidance of information asymmetry. Thus, the Economic Policy Directorate remains in the vanguard of maintaining the efforts to articulate appropriate ways of documenting CBN policy actions to enhance the activities of economic agents and promote financial markets efficiency.

The focus of the Rule Book remains the collation of financial markets-related Policies and Regulations. It therefore, complements other publications relating to the economy and its performance. The compendium builds on the preceding editions: Volumes One, Two, Three and Four, covering CBN directives on financial policy and regulation, monetary policy, banking, other financial institutions' supervision, and trade and exchange.

We trust this comprehensive compendium and the preceding editions would remain an inestimable reference material to the banks, financial institutions and society at large.

Dr. Kingsley Obiora

Deputy Governor, Economic Policy

July, 2022

Acknowledgements

Once again, it is my moment of honour to appreciate the Management of the Central Bank of Nigeria for enabling the production of this fifth edition of the CBN Rule Book. This is particularly auspicious owing to the unflinching support granted to achieve it. I would like to especially highlight the innovative stance of both the Governor, Central Bank of Nigeria, Mr. Godwin I. Emefiele, CON, and the Deputy Governor, Economic Policy Directorate, Dr. Kingsley Obiora, who have inspired the re-definition of policy formulation for the public good. This became more propitious during the period of the Covid-19 pandemic that adversely impacted the Nigerian economy in 2020, and prompt measures were adopted to moderate the negative effects and accelerate recovery from recession.

I would also like to appreciate my fellow Directors: Mr. Samuel C. Okojere of Banking Services; Mr. Haruna B. Mustafa of Banking Supervision; Mrs. Rashida J. Monguno, of Consumer Protection; Mr. Philip Y. Yusuf of Development Finance; Mr. Chibuzo A. Efobi of Financial Policy and Regulations; Mr. Hassan Mahmud of Monetary Policy; Mrs. Nkiru E. Asiegbu of Other Financial Institutions Supervision; Mr. Musa I. Jimoh of Payments System Management; and, Dr. Ozoemena S. Nnaji of Trade and Exchange, for their review and support.

The members of the Secretariat that have arranged this compendium have also excelled. In particular, Mr. Demenongu J. Yanfa, mni FCS, Deputy Director, who initiated and has efficiently led the Project to date, has been relentless in ensuring quality. Supported are Dr./Mrs. Pauline C. Obikaonu, Mr. Isyaku Garba, Ms. Amina M. Adamu, Mr. Nnamdi B. Anyene, Mrs. Joy A. Amadi, Mrs. Nkiruka J. Orji, Ms. Grace C. Ojije and Mrs. Mariam O. Shuaib. More so, I appreciate other members of staff from the stakeholder Departments of the Bank, who participated in the exercise.

Mrs. Angela A. Sere-Ejembi, P.hd

Director, Financial Markets Department

July, 2022.

TABLE OF CONTENT

| VOLUME FIVE | | | | | |
|---|----------------------------|--|--------------------|---------------|-------------|
| SECTION I: PUBLISHED RULES, REGULATIONS AND GUIDELINES | | | | | |
| PART H. GOVERNORS' DEPARTMENT CIRCULARS, POLICIES AND GUIDELINES | | | | | |
| S/N | Reference No. | Title | Date Issued | Remark | Page |
| 1. | GVD/ESO/GEN/PMF/02/00 4 | Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Policy and Procedure Manual | 08-Feb-2019 | New | 2 |

| PART I. MONETARY POLICY CIRCULARS, POLICIES AND GUIDELINES | | | | | |
|---|------------------------|---|--------------------|---------------|-------------|
| S/N | Reference No. | Title | Date Issued | Remark | Page |
| 2. | MPC-139-2021 | Central Bank of Nigeria Communique No. 139 of the Monetary Policy Committee Meeting held on Monday 22nd and Tuesday 23rd November 2021 | 23-Nov-2021 | New | 40 |
| 3. | MPD/DIR/INT/MPC/01/056 | Central Bank of Nigeria Communique No. 138 of the Monetary Policy Committee Meeting held on Thursday 16th and Friday 17th September, 2021 | 17-Sep-2021 | New | 51 |
| 4. | MPD/DIR/PUB/MPC/01/056 | Central Bank of Nigeria Communique No. 137 of the Monetary Policy Committee Meeting held on Monday 26th and Tuesday 27th July, 2021 | 27-Jul-2021 | New | 62 |
| 5. | MPC-136-2021-3 | Central Bank of Nigeria Communique No. 136 of the Monetary Policy Committee Meeting held on Monday 24th and Tuesday 25th May 2021 | 25-May-2021 | New | 72 |
| 6. | MPD/DIR/PUB/MPC/01/024 | Central Bank of Nigeria Communique No. 135 of the Monetary Policy Committee Meeting held on Monday 22nd and Tuesday 23rd March 2021 | 23-Mar-2021 | New | 90 |
| 7. | MPC - 134 - 2021 - 1 | Central Bank of Nigeria Communique No 134 of the Monetary Policy Committee of January 25 and 26, 2021 | 26-Jan-2021 | New | 100 |
| 8. | MPC - 133 - 2020 - 1 | Central Bank of Nigeria Communique No 133 of the Monetary Policy Committee of November 23 and 24, 2020 | 24-Nov-2020 | New | 114 |
| 9. | MPC - 132 - 2020 - 1 | Central Bank of Nigeria Communique No. 132 of the Monetary Policy Committee Meeting Held September 21 and 22 2020 | 22-Sep-2020 | New | 126 |
| 10. | MPC - 131 - 2020 - 1 | Central Bank of Nigeria Communique No 131 of the Monetary Policy Committee Meeting held on Monday, July 20, 2020 | 20-Jul-2020 | New | 138 |
| 11. | MPC - 130 - 2020 - 1 | Central Bank of Nigeria Communique No 130 of the Monetary Policy Committee Meeting of May 28 2020 | 28-May-2020 | New | 150 |

| | | | | | |
|-----|----------------------|---|-------------|-----|-----|
| 12. | MPC - 129 - 2020 - 1 | Central Bank of Nigeria Communique No. 129 of the Monetary Policy Committee Meeting held on Monday 23rd and Tuesday 24th March, 2020 | 24-Mar-2020 | New | 160 |
| 13. | MPC - 128 - 2020 - 1 | Central Bank of Nigeria Communique No. 128 of the Monetary Policy Committee Meeting held on Thursday 23rd and Friday 24th January, 2020 | 24-Jan-2020 | New | 169 |
| 14. | MPC - 127 - 2019 - 1 | Central Bank of Nigeria Communique no. 127 of the Monetary Policy Committee Meeting of Monday 25th and Tuesday 26th November 2019 | 26-Nov-2019 | New | 182 |
| 15. | MPC - 126 - 2019 - 1 | Central Bank of Nigeria Communique No. 126 of the Monetary Policy Committee Meeting of September 19 and 20, 2019 | 20-Sep-2019 | New | 191 |
| 16. | MPC - 125 - 2019 - 1 | Central bank of Nigeria Communique no. 125 of the Monetary Policy Committee Meeting of Monday 22nd and Tuesday 23rd July, 2019. | 23-Jul-2019 | New | 201 |
| 17. | MPC - 124 - 2019 - 1 | Central Bank of Nigeria Communique No. 124 of the Monetary Policy Committee Meeting of Monday 20th and Tuesday 21st May, 2019. | 21-May-2019 | New | 210 |
| 18. | MPC - 123 - 2019 - 1 | Central Bank of Nigeria Communique No. 123 of the Monetary Policy Committee Meeting of Monday 25th and Tuesday 26th March, 2019. | 26-Mar-2019 | New | 219 |
| 19. | MPC - 122 - 2019 - 1 | Central Bank of Nigeria Communique No. 122 of the Monetary Policy Committee Meeting of Monday 21st and Tuesday 22 January 2019. | 22-Jan-2019 | New | 230 |

| PART J. OTHER FINANCIAL INSTITUTIONS CIRCULARS, POLICIES AND GUIDELINES | | | | | |
|--|-------------------------|--|--------------------|---------------|-------------|
| S/N | Reference No. | Title | Date Issued | Remark | Page |
| 20. | OFI/DOA/LTT/CON/002/138 | Adoption of International Financial Reporting Standards by Other Financial Institutions (OFIs) | 8-Oct-2021 | New | 240 |
| 21. | OFI/DIR/LTT/GEN/022/153 | Extension of the Timeframe for the Submission of 2019 Audited Financial Statements | 29-May-2020 | New | 241 |
| 22. | OFI/DIR/DOC/GEN/20/365 | Re: Letter to all Other Financial Institutions (OFIs) on rendition of returns on Anti-money Laundering and Combatting the Financing of Terrorism (AML/CFT) | 10-Sep-2019 | Revised | 242 |

| | | | | | |
|-----|-------------------------|--|------------|-----|-----|
| 23. | OFI/DIR/GEN/CIR/07/033 | Guide To Charges By Banks And Other Financial Institutions In Nigeria (May 2017 - Removal of Interest Rate and Cap In Respect Of Part 2 Section 2.1.3) | 5-Sep-2019 | New | 244 |
| 24. | OFI/DIR/DOC/GEN/20349 | Letter to all DFIs: Establishment and Operation of Subsidiaries and Special Purpose Vehicles | 3-Sep-2019 | New | 245 |
| 25. | OFI/DIR/DOC/GEN/020/252 | Letter to all Microfinance Banks (MFBs) on the Revised National Financial Inclusion Targets | 1-Jul-2019 | New | 247 |

| PART K. PAYMENT SYSTEM MANAGEMENT CIRCULARS, POLICIES AND GUIDELINES | | | | | |
|---|-------------------------|---|--------------------|---------------|-------------|
| S/N | Reference No. | Title | Date Issued | Remark | Page |
| 26. | PSM/DIR/CON/INM/013/149 | Revised Regulatory Framework For Bank Verification Number (BVN) Operations And Watch-List For The Nigerian Banking Industry | 12-Oct-2021 | Revised | 249 |
| 27. | PSM/DIR/PUB/CIR/01/026 | Disaggregation of Bulk Payment | 8-Sep-2021 | New | 272 |
| 28. | PSM/DIR/CON/INM/011/142 | Guidelines for Licensing and Regulation of Payments Service Holding Companies in Nigeria | 3-Aug-2021 | New | 273 |
| 29. | PSM/DIR/CON/INM/011/091 | Framework and Guidelines on Mobile Money Services in Nigeria | 9-Jul-2021 | New | 292 |
| 30. | PSM/DIR/CON/INM/011/077 | Supervisory Framework for Payment Service Banks | 8-Jul-2021 | New | 331 |
| 31. | PSM/DIR/CON/INM/011/008 | Regulatory Framework on Non-bank Merchant Acquiring in Nigeria | 28-May-2021 | New | 425 |
| 32. | PSM/DIR/CON/INM/10/145 | New License Requirements for the Payments System | 24-May-2021 | New | 433 |
| 33. | PSM/DIR/PUB/CIR/02/01 | Circular on the Regulatory Framework on Open Banking in Nigeria | 17-Feb-2021 | New | 456 |
| 34. | PSM/DIR/CON/INM/08/118 | Framework for Quick Response (QR) Code Payments in Nigeria | 13-Jan-2021 | New | 475 |
| 35. | PSM/DIR/CON/INM/08/117 | Issuance of the Framework for Regulatory Sandbox Operations | 13-Jan-2021 | New | 482 |
| 36. | PSM/PLD/GEN/INM/02/019 | Receipt of Diaspora Remittances: Additional Operational Guidelines 2 | 18-Dec-2020 | New | 497 |

| | | | | | |
|-----|------------------------|---|-------------|---------|-----|
| 37. | PSM/DIR/CON/CWO/16/119 | Receipt of Diaspora Remittances: Additional Operational Guidelines | 16-Dec-2020 | New | 498 |
| 38. | PSM/DIR/CON/CWD/14/152 | New License Categorization for Nigerian Payments Service Providers | 12-Dec-2020 | New | 500 |
| 39. | PSM/DIR/CON/CWO/07/127 | Reduction of Chargeback Period for ATM, POS and Web Transactions in the Guidelines for the Operation of Electronic Payment Channels | 31-May-2020 | New | 504 |
| 40. | PSMD/31/05/2020 | Guidelines on Operations of Electronic Payment Channels in Nigeria | 31-May-2020 | New | 506 |
| 41. | PSM/DIR/CON/CWO/05/030 | Revised Standards on Nigeria Uniform Bank Account Number (NUBAN) for Banks and Other Financial Institutions | 9-Mar-2020 | Revised | 555 |
| 42. | PSM/PSI/GEN/CWD/01/028 | Guideline on Nigerian Payments System Risk and Information Security Management Framework | 6-Jan-2020 | New | 561 |
| 43. | PSM/DIR/GEN/CIR/01/019 | Circular on Pre-Authorization of Cards in Nigeria | 30-Dec-2019 | New | 584 |
| 44. | PSM/DIR/GEN/CIR/01/016 | Re: Implementation of the Cash-less Policy | 16-Oct-2019 | Revised | 585 |
| 45. | PSM/DIR/CON/CWO/02/091 | Regulation for the Operation of Indirect Participants in the Payments System | 10-Oct-2019 | New | 586 |
| 46. | PSM/DIR/GEN/CIR/02/014 | Re: Implementation of the Cashless Policy | 17-Sep-2019 | Revised | 594 |
| 47. | PSM/DIR/GEN/CIR/02/015 | Review of Process for Merchants Collections on Electronic Transactions | 17-Sep-2019 | Revised | 595 |
| 48. | PSM/DIR/GEN/CIR/01/12 | Regulation on Electronic Payments and Collections for Public and Private sector in Nigeria | 10-Sep-2019 | New | 596 |
| 49. | PSM/DIR/GEN/CIR/01/011 | Operation of Mobile Money Wallets by Deposit Money Banks | 4-Jul-2019 | New | 612 |
| 50. | PSM/DIR/GEN/CIR/02/003 | Request for Information on Proposed PSV 2030 | 15-May-2019 | New | 613 |

PART L. TRADE AND EXCHANGE CIRCULARS, POLICIES AND GUIDELINES

| | | | | | |
|-----|------------------------|---|-------------|-----|-----|
| 51. | TED/FEM/FPC/GEN/01/010 | Automation of Form NCX on the Trade Monitoring System | 29-Nov-2021 | New | 642 |
| 52. | TED/FEM/FPC/GEN/01/011 | Automation of Form A on the Trade Monitoring System | 29-Nov-2021 | New | 644 |

| | | | | | |
|-----|-------------------------|--|-------------|---------|-----|
| 53. | TED/FEM/PUB/FPC/001/009 | Appointment Of Designated Bank For The Collection Of Fees Under The Nigerian Export Supervision Scheme (NESS) | 12-Nov-2021 | New | 646 |
| 54. | TED/FEM/PUB/FPC/01/007 | Guidelines On The Operations of Pan African Payments And Settlement System In Nigeria | 11-Oct-2021 | New | 647 |
| 55. | TED/FEM/PUB/FPC/01/007 | Observance of Due Diligence in the Processing of Foreign Exchange Transactions | 10-Sep-2021 | New | 649 |
| 56. | TED/FEM/PUB/FPC/01/006 | Sugar Importation in Nigeria | 16-Jul-2021 | New | 650 |
| 57. | TED/FEM/PUB/FPC/001/005 | Re: Appointment of Titan Trust Bank Plc as a Designated Bank for the Collection of Fees under the Nigerian Export Supervision Scheme (NESS) | 9-Jun-2021 | Revised | 651 |
| 58. | TED/FEM/PUB/FPC/01/004 | Re: Introduction Of CBN's "Naira For Dollar Scheme" | 5-May-2021 | Revised | 652 |
| 59. | TED/FEM/PUB/FPC/01/003 | Introduction of the CBN's "Naira 4 Dollar Scheme" for Diaspora Remittances | 6-Mar-2021 | New | 653 |
| 60. | TED/FEM/FPC/PUB/001/002 | Appointment Of Pre-shipment Inspection Agents (PIAs) And Monitoring And Evaluation Agents(MEAs) For Non-Oil Exports | 26-Jan-2021 | New | 654 |
| 61. | TED/FEM/FPC/PUB/001/001 | Modalities For Payout Of Diaspora Remittances | 22-Jan-2021 | New | 655 |
| 62. | TED/FEM/FPC/GEN/01/012 | Amendments To Diaspora Remittances Procedures | 2-Dec-2020 | Revised | 656 |
| 63. | TED/FEM/FPC/GEN/01/010 | Operations of Domiciliary Accounts | 30-Nov-2020 | New | 657 |
| 64. | TED/FEM/FPC/GEN/01/011 | Amendment to Procedures for Receipt of Diaspora Remittances | 30-Nov-2020 | Revised | 658 |
| 65. | TED/FEM/FPC/GEN/01/009 | Re: Destination Payment for all Forms M, Letters of Credit and Other Forms of Payment | 19-Nov-2020 | Revised | 660 |
| 66. | TED/FEM/FPC/GEN/01/030 | Re: Appointment of Wema Bank PLC as a Designated Bank for the Collection of NESS Fees under the Nigerian Export Supervision Scheme (NESS) | 12-Nov-2020 | Revised | 662 |
| 67. | TED/FEM/FPC/GEN/001/008 | Compliance with Exports Procedure in Nigeria | 6-Oct-2020 | New | 663 |
| 68. | TED/FEM/FPC/GEN/01/006 | Integration of Digital Marine Insurance Certificate | 7-Sep-2020 | New | 665 |
| 69. | TED/FEM/FPC/GEN/01/006 | Resumption Of Sales To BDCs | 27-Aug-2020 | New | 666 |
| 70. | TED/FEM/FPC/GEN/01/05 | Destination Payment for all Forms M, Letters of Credit and Other Forms of Payment | 24-Aug-2020 | New | 667 |

| | | | | | |
|------------|------------------------|---|-------------|-----|-----|
| 71. | TED/FEM/FPC/GEN/01/005 | Notice of Re-assignment of Pre-shipment Inspection Agents for Non-Oil Exports | 28-Jul-2020 | New | 668 |
| 72. | TED/FEM/FPC/GEN/01/004 | Importation of Maize/Corn | 13-Jul-2020 | New | 669 |
| 73. | TED/FEM/FPC/GEN/01/003 | Clarification on Operations of Ordinary Domiciliary Accounts | 24-Feb-2020 | New | 671 |
| 74. | TED/FEM/FPC/GEN/01/002 | Milk and Dairy Products Importation | 11-Feb-2020 | New | 672 |
| 75. | TED/FEM/FPC/GEN/01/001 | Prohibition Of Forms M on Importation Of Fertilizers | 30-Jan-2020 | New | 673 |
| 76. | TED/FEM/FPC/GEN/01/003 | Automation of Form "NXP" on the Trade Monitoring System | 29-Oct-2019 | New | 674 |
| 77. | TED/FEM/FPC/GEN/01/002 | Notice of Meeting of Foreign Exchange Officers of Banks | 21-Jun-2019 | New | 675 |

PART H
GOVERNORS'DEPARTMENTV CIRCULARS,
POLICIES AND GUIDELINES

2018

CENTRAL BANK OF NIGERIA (CBN)

ANTI- MONEY LAUNDERING/COMBATING
THE FINANCING OF TERRORISM (AML/CFT)
POLICY AND PROCEDURE MANUAL

AML/CFT Compliance Office
Governors' Department
Central Bank of Nigeria



| | | |
|------|---|----|
| 23.C | Means of Identification | 25 |
| 24.C | Sanction Screening | 25 |
| 25.C | Whistle-Blower Protection | 25 |
| 26.C | Periodic Customer Review | 25 |
| 27.C | KYC Documentation Requirements | 26 |
| 28.C | Record Keeping | 26 |
| 29.0 | Account Monitoring | 27 |
| 30.0 | Investigations (Alert Review and enquiry) | 28 |
| 31.0 | Documentation of closed Alerts | 29 |
| 32.0 | Training | 29 |
| 33.0 | Internal Control and Independent Testing | 30 |
| 34.0 | APPENDICES: | 31 |
| 36.0 | APPROVALS | 36 |

Table of Contents

| | |
|---|-----------------------------|
| PART 1: POLICY | 7 |
| I. Definition of Key terms | 3 |
| 1.0 Background | 7 |
| 2.0 Objective | 7 |
| 3.0 Scope | 8 |
| 4.0 Relevant Laws and Regulation | 8 |
| 5.0 CBN AML/CFT Policy Statement | 8 |
| 6.0 Overview of CBN Compliance Framework | 9 |
| 7.0 AML/CFT Compliance Structure | 10 |
| 8.0 Organogram | 11 |
| 9.0 Compliance Responsibilities | 12 |
| 10.0 AML/CFT Reporting Framework | 14 |
| 11.0 Sanctions | 15 |
| 12.0 Risk Assessment Framework | 16 |
| 13.0 Customer Risk Assessment Process | 15 |
| 14.0 High Risk Products and Services | 17 |
| 15.0 Correspondent Banking Relationships | 17 |
| 16.0 High Risk Geographic Locations | 18 |
| 17.0 Customer Acceptance Policy | 18 |
| 18.0 Customer Identification | 18 |
| 19.0 Customer Due Diligence (CDD) | 19 |
| 20.0 Reporting | 20 |
| 21.0 Other AML/CFT Reports to be rendered | 20 |
| PART 2: PROCEDURES | 24 |
| 22.0 Nature and Level of the Business | 24 |
| <small>CBN AML/CFT Compliance Manual, Vol. 1.1 Confidential</small> | <small>11 P a g e</small> |

I. Definition of key terms

Some key terms applicable in the implementation of this manual includes:

- i. FATF- Financial Action Task Force**
- ii. ML- Money Laundering**
- iii. FT- Financing Terrorism**
- iv. AML- Anti-Money Laundering**
- v. CFT- Combating Financing of Terrorism**
- vi. CCO- Chief Compliance Officer**
- vii. KYC- Know Your Customer**
- viii. KYCB- Know Your Customers Business**
- ix. CDD- Customer Due Diligence**
- x. UNSCRs- United Nations Security Council Resolutions**
- xi. MDAs- Ministries, Departments and Agencies**

i. Financial Action Task Force (FATF)

The FATF was established in July 1989 at the group of seven (G7) Summit in Paris, initially to examine and develop measures to combat money laundering. In October 2001, the FATF expanded its mandates to incorporate efforts to combat terrorism financing. The objectives of FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

The FATF made 40 recommendations to raise the international standards of prevention of money laundering to a uniform level which set out basic framework for money laundering prevention efforts designed to be of universal application. (See appendix C).

ii. Money laundering

Money Laundering is the act of directly or indirectly concealing or disguising any fund or property that is derived from the proceeds of an unlawful activity. Simply put, it is the process by which "dirty" money is made to look legitimate or "clean" so that the funds may be used freely without trace of its illicit source.

The Money Laundering Prohibition Act, 2011 (as amended) provides for procedures for customer due diligence, reporting requirements, offences and penalties. Section 15 (2) clearly stipulates the offence of money laundering as thus:

"Any person or body corporate, in or outside Nigeria, who directly or indirectly—

- (a) conceals or disguises the origin of;
- (b) converts or transfers;
- (c) removes from the jurisdiction; or
- (d) acquires, uses, retains or takes possession or control of any fund or property, knowingly or reasonably ought to have known that such fund or property is, or forms part of the proceeds of an unlawful act;

commits an offence of money laundering under this Act."

It also stipulates amongst others, the following penalty for contravention: "A person who contravenes the provisions of subsection (2) of this section is liable on conviction to a term of not less than 7 years but not more than 14 years imprisonment.

- a) A body corporate who contravenes the provisions of subsection (2) of this section is liable on conviction to a fine of not less than 100% of the funds and properties acquired as a result of the offence committed; and
- b) Withdrawal of license.
- c) Where the body corporate persists in the commission of the offence for which it was convicted in the first instance, the Regulators may withdraw or revoke the certificate or license of the body corporate."

Money laundering involves three independent stages namely Placement, Layering and Integration.

Placement – This is the stage where the funds from the illicit activities are physically placed into the economy. It may include the co-mingling of funds from legitimate sources and illegitimate sources. Examples of this stage include direct deposit of funds into Bank accounts, purchase of luxury goods such as cars and artworks, etc.

Layering – This involves the creation of complex transactions in order to distance the funds from the original source and also to obliterate the audit trail. (e.g. wire transfers, letter of credit, purchase of financial instruments, transfer to offshore accounts, re-sale of assets, etc.)

Integration – It is the stage at which the money is integrated into the legitimate economic and financial system and is assimilated with all the other assets in the system. Integration of the 'cleaned' money into the economy is accomplished by the launderer making it appear to have been legally earned. At this stage, it is exceedingly difficult to distinguish legal and illegal wealth, e.g. Inflow from offshore for investments, funds from sale of real estate.

iii. **Terrorist Financing**

This is defined in this manual to include both legitimate and illegitimate money characterized by concealment of the origin or intended criminal use of the funds. The techniques used to launder money are essentially the same as that used to disguise the origin of, and use, for terrorism financing.

Funds used to support terrorism may originate from legitimate sources, criminal activities or both. Nonetheless, disguising the source of terrorist financing, regardless of whether the source is of legitimate or illicit origin is key. Thus, if the source can be concealed, it remains available for future terrorist financing activities. Similarly, it is important for terrorists to conceal the use of the funds so that the financed activity goes undetected.

Terrorism financing involves three stages namely Sourcing, Moving and Executing.

Sourcing (raise) - this stage involves raising funds by terrorists through donations, self-funding and criminal activities such as proceeds of drug trafficking, extortion, cheque fraud, credit card fraud, legitimate business, use of charitable organizations, sham charities, etc.

Moving (transfer) - this involves use of charities and non-profit organizations, use of Alternative Remittance Systems (ARS), use of cash couriers, use of gold to move value, wire transfers to move money across borders and the formal financial sector.

Executing (use) - in this stage funds are required to promote a militant ideology, pay operatives and their families, arrange for travel, train new members, forge documents, pay bribes, acquire weapons, and stage attacks.

iii. Predicate Offences

Predicate offences are offences whose proceeds may become the subject of any of the money laundering offences established under the Act.

Designated Categories of Offences (DCOs) include:

- i. Participation in an organized criminal group and racketeering
- ii. Terrorism, including terrorism financing
- iii. Trafficking in human beings and migrant smuggling
- iv. Sexual exploitation, including sexual exploitation of children
- v. Illicit trafficking in narcotic drugs and psychotropic substances
- vi. Illicit arms trafficking
- vii. Illicit trafficking in stolen and other goods
- viii. Corruption and bribery
- ix. Fraud
- x. Counterfeiting currency
- xi. Counterfeiting and piracy of products
- xii. Environmental crime
- xiii. Murder, grievous bodily injury
- xiv. Kidnapping, illegal restraint and hostage-taking
- xv. Robbery or theft
- xvi. Smuggling
- xvii. Extortion
- xviii. Forgery
- xix. Piracy; and
- xx. Insider-trading and market manipulation
- xxi. Others

PART I: POLICY

1.0 Background

Mandate of CBN

The Central Bank of Nigeria Act 2007 (as amended) enumerated the core functions of the Bank as follows;

1. Ensure monetary and price stability;
2. Issue legal tender currency in Nigeria;
3. Maintain external reserves to safeguard the international value of the legal tender currency;
4. Promote a sound financial system in Nigeria and;
5. Act as Banker and provide economic and financial advice to the Federal Government.

In carrying out these core mandates, the CBN has over the years performed some major developmental functions, focused on all the key sectors of the Nigerian economy (financial, agricultural and industrial sectors, etc.) to promote sound financial system.

The role of the CBN as a Banker to the Federal Government entails offering financial advice and maintenance of accounts for Ministries, Departments and Agencies of government. The Bank also maintains accounts for financial institutions within Nigeria and with financial institutions outside Nigeria.

2.0 Objective

The objective of this AML/CFT Manual is to set out policies and procedures to guide employees and the Bank to conduct business in accordance with applicable Anti-Money Laundering (AML) laws and regulations. The manual aims to establish procedures and minimum standards to protect the CBN from being used as a channel to launder money, finance terrorism and other forms of financial crimes.

3.0 Scope

The CBN AML/CFT Manual sets minimum standards for employees of the Bank to comply with AML/CFT laws and regulations in the following broad areas:

- I. Conduct of financial services;
- II. Dealings with third party beneficiaries (such as consultants and contractors); and
- III. Employees conduct.

This manual is guided by the Money Laundering Prohibition Act 2011, Terrorism Prevention Act 2011 and other applicable relevant laws and regulations.

4.0 Applicable Relevant Laws and Regulation

Other applicable laws and regulations include;

- i. Money Laundering (Prohibition) Act, 2011 (as amended)
- ii. Terrorism Prevention Act, 2012 (as amended)
- iii. Terrorism Prevention (Freezing of International Terrorist Funds and other Related Matters) Regulations, 2013
- iv. Economic and Financial Crime Commission (EFCC) (Establishment) Act 2004
- v. Banks and Other Financial Institutions Act (BOFIA) 1991
- vi. CBN AML/CFT Regulations, 2013
- vii. CBN Act 2007
- viii. CBN AML/CFT Risk-Based Supervision Framework, 2011
- ix. CBN Circulars and other communications by regulators
- x. National Drug Law Enforcement Act (1990)
- xi. Other international instruments (such as FATF Recommendations, United Nations Security Council Resolutions)(UNSCR)

5.0 CBN AML/CFT Policy Statement

The Central Bank of Nigeria provides banking services to the government and deposit money banks. Its primary function as a regulatory institution precludes it from most of

the provisions of the Money Laundering (Prohibition) Act, 2011 (MLPA), Terrorism Prevention Act, 2012 (TPA) and the Central Bank of Nigeria Anti-Money Laundering/Combating the Financing of Terrorism Regulations, 2013 (CBN AML/CFT Regulations). The Bank, however, ensures that its processes, policies and procedures conform to the spirit of the provisions of these laws, international protocols and agreements.

The Bank supports its staff to achieve the highest standards of compliance and integrity. Employees shall fully understand and be guided by these standards in the conduct of business and dealings with stakeholders. Protecting the good name and the reputation of the Bank shall be a primary consideration in all actions taken by employees.

The Bank therefore shall maintain the highest operating standards to ensure that its products and services were not used for the purpose of Money Laundering, Terrorism Financing or other crimes through investments in training, material resources, the use of appropriate technology and collaboration with other Regulators and Law Enforcement Agencies.

The AML/CFT operation in the Bank shall be reviewed by Internal Audit Department as well as External Auditors to ensure implementation of policies and procedures related to AML/CFT.

6.0 Overview of CBN Compliance Framework

The AML/CFT Compliance function, domiciled in the Governors' Department of CBN, generally focuses on the identification of AML/CFT compliance responsibilities, assessment of risks, advice, monitoring, and reporting on the Bank's compliance with applicable laws, regulations and codes of conduct, and assist in the prevention of violations of the same in the Bank.

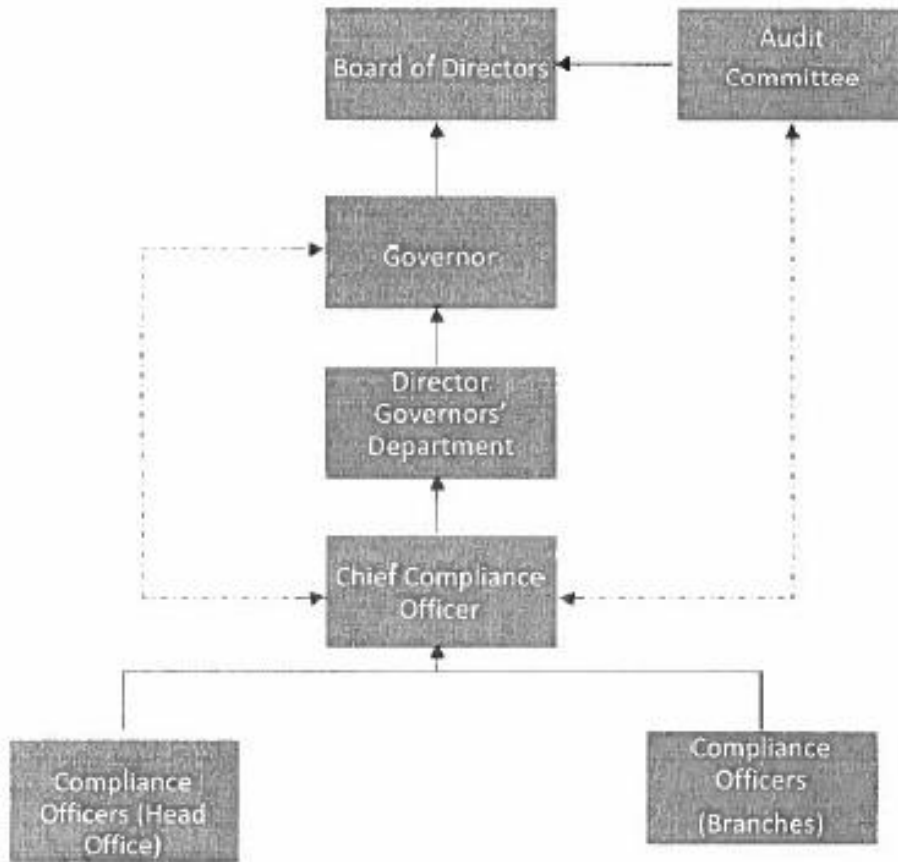
The AML/CFT Compliance Office develops the format for use by Strategic Business Units of the Bank to render periodic reports. It shall also assess the appropriateness of

the Bank's AML/CFT compliance procedures and guidelines, promptly follow up any identified deficiencies, and (where necessary) formulate proposals for improvement.

7.0 AML/CFT Compliance Structure

- The Chief Compliance Officer (CCO) of the Bank (who is at the executive level) reports to the Board (Audit Committee) through the Director, Governors' Department. The administrators of the Departments and Head, Banking Office in the Branches shall be the Compliance Officer of their Strategic Business Units (SBUs). The Compliance Officers in the Departments and Branches shall report to the CCO through the head of their SBUs.

8.0 Organogram



9.0 Compliance Responsibilities

Board

The Board of Directors is responsible for providing leadership and direction in the management of the Bank's AML/CFT compliance risk. The Board will approve the Bank's AML/CFT Compliance Manual and it will periodically assess the extent to which the Bank manages its Money Laundering/ Financing Terrorism (ML/FT) risks. The Board will oversee the implementation of the policies contained in the compliance manual through its Audit Committee.

Committee of Governors' (COG)

The Committee of Governors' is responsible for overseeing the management of the Bank's compliance risk and shall regularly be informed of the progress made in respect of AML/CFT compliance.

Director, Governors' Department

The Director oversees AML/CFT compliance in the Bank and supervises the activities of the Office. The Chief Compliance Officer (CCO) reports all AML/CFT related issues to the management through the Director, Governors Department.

Chief Compliance Officer (CCO)

The Head, Compliance Division in Governors' Department shall be the AML/CFT Chief Compliance Officer (CCO) of the Bank. The CCO is responsible for coordinating the identification, management of compliance risks and the supervision of other compliance functions of the Department. The CCO responsibilities amongst others include:

- Coordinate and implement the Bank's AML/CFT compliance initiatives.
- Develop the compliance strategy, policy, structure and processes.
- Report periodically on AML/CFT compliance related matter to the Management and Audit Committee of the Board.
- Report non-compliance and other potential exposures to the management immediately and establish prompt mechanisms for the resolution thereof.
- Collaborate with internal stakeholders and other Regulators.

- Ensure continuous training of AML/CFT compliance officers to ensure that they have required technical knowledge and regulatory framework that applies to the Bank.
- Establish and inculcate an AML/CFT compliance culture in the Bank through the development of an appropriate compliance awareness programme.
- Ensure that management incorporates AML/CFT regulatory requirements into operations manual.
- Collaborate with Capacity Development Department in the training of staff in AML/CFT awareness, detection methods and reporting requirements.
- Ensure that all new and old AML/CFT regulatory directives are communicated to staff.
- Assist Departments and Branches to identify and resolve issues related to AML/CFT non-compliance risk.
- Develop formal arrangements to help the CBN and its Officers to become more mindful, knowledgeable and capable of responding to those ML/FT risks that can affect the Bank's reputation and legal exposure.

Compliance Officers

The specific duties of compliance officers are:

- Co-ordinate and monitor day to day compliance with applicable Money Laundering laws and regulations in their SBUs.
- Receive and vet suspicious transaction reports from staff.
- Assist the CCO in organizing AML/CFT programmes for employees of their SBU.
- Ensure timely rendition of AML/CFT regulatory reports.

Employees

Employees are expected to be familiar and comply with applicable laws and regulations:

- Employees are to adhere to the AML/CFT compliance Policy Manual of the Bank;

- Employees should conduct business in accordance with applicable anti-money laundering, counter-terrorist financing laws and regulations, corporate policies, and maintain the highest ethical standards;
- Employees must not provide advice or other assistance to individuals or groups who attempt to violate or evade anti-money laundering, counter-terrorist financing laws and regulations or corporate policies;
- Employees should refrain from willfully ignoring indications that a customer seeks to engage in a relationship or transaction other than for a lawful purpose;
- Employees should avoid establishing relationships with individuals or entities who may pose undue reputational risk to the Bank; and
- Employees should protect the Bank's reputation for integrity and fair dealing, by ensuring that the Bank's customers and the transactions engaged in on its behalf are legitimate.

Stakeholder Departments

These are key departments that due to their operational activities are involved with, or are to comply with relevant AML/CFT Laws and Regulations. The departments include:

- i. Banking and Payment Systems Department (BPSD)
- ii. Procurement and Support Services Department (PSSD)
- iii. Branch Operations Department (BOD)
- iv. Risk Management Department (RMD)
- v. Reserve Management Department (RED)
- vi. Human Resources Department (HRD)
- vii. Trade and Exchange Department (TED)
- viii. Financial Market Department (FMD)
- ix. All Branches

10.0 AML/CFT Reporting Framework

Board Audit Committee

The CCO shall periodically report to the Board of Directors through the Audit Committee of the Board on emerging issues on AML/CFT, status of the Bank on relevant, changes

in regulations. This will enable the Board to make informed decisions on whether the Bank is managing its ML/TF risk effectively.

Committee of Governors

The CCO shall report quarterly to the COG on emerging issues on AML/CFT, status of the Bank on relevant changes in regulations.

11.0 Sanctions

Non-compliance with the AML/CFT laws and regulations will be reported to Management for the appropriate sanctions.

12.0 Risk Assessment Framework

CBN periodically conducts risk assessment to safeguard the Bank from being used to launder proceeds of crime or finance terrorism. This Risk Assessment will be conducted along the lines of our customers, products, geographic locations and delivery channels. It will ensure that identified lower and higher risks are properly mitigated. The Bank shall adopt risk-based approaches that are commensurate with the specific risks of money laundering and terrorist financing.

Higher money laundering risks demand stronger controls than warranted by individuals or countries deemed to be of lower risk. However, all categories of risks whether low or high must be mitigated by the application of appropriate controls as provided in this Manual, such as verification of customer identification, Know Your Customer (KYC) policies, and so on.

The following paragraphs provide a framework for identifying the degree of potential Money Laundering risks associated with specific customers and transactions in order to ensure focused monitoring of those customers and transactions that potentially pose the greatest risk of ML/TF.

13.0 Customer Risk Assessment Process

The Bank assesses KYC risk by classifying accounts into different categories of Risk such as high, medium, and low.

The customer types are along the lines of financial institutions, Ministries, Departments and Agencies of government. Customer risk assessment is done at the point of account opening and as long as the business relationship continues.

Higher risk customers- Before establishing relationship with prospective customers, the various SBU's and Branches are responsible for carrying out formal assessment of risk on the accounts and classifying them as either high, medium or low risk. Accounts considered to be of higher risks will be monitored closely by SBUs and Branches. Any suspicion that accounts are being used to launder the proceeds of crime or to assist the financing of terrorism will be reported to the Chief Compliance Officer. Some potentially higher risk customers include:

- Politically Exposed Persons (PEPs): These are individuals who are or have been entrusted with prominent public functions in Nigeria or in foreign countries, and people or entities associated with them and include-
 - a) Heads of State or Government;
 - b) State Governors;
 - c) Local Government Chairmen;
 - d) Senior politicians;
 - e) Senior government officials;
 - f) Judicial or Military officials;
 - g) Senior executives of state owned corporations;
 - h) Important political party officials;
 - i) Family members or close associates of PEPs; and
 - j) Members of royal families.

PEPs also include persons who are or have been entrusted with a prominent function by an international organization; members of CBN senior management and this includes

directors and members of the board or equivalent functions other than middle ranking or more junior individuals.

The CBN does not maintain account relationships for those who fall into the above categories in their personal capacities. Rather, individuals listed above may represent some government institutions which maintain accounts with the Bank. The approval of the Accountant-General of the Federation or the State Accountant-General must be obtained before account relationships are established.

14.0 High Risk Products and Services

All Banking products that are used to convert cash to a monetary instrument and electronic products that permit rapid value movement (Wire Transfers, FX transactions followed by payment into an account in another jurisdiction) can be abused by criminals. For trade transactions, Export Letters of Credit have been ranked as high risk because of the possibility of presentation of false shipping documents when no goods are actually shipped. Another factor in this ranking is the possibility of over-inflated invoicing for low value or worthless merchandise. All other trade products have been risk ranked either as medium or low risk.

15.0 Correspondent Banking Relationships

Transactions conducted through Correspondent Banking relationships shall be managed in accordance with a risk-based approach; and Know Your Correspondent procedures shall be established to ascertain whether or not the correspondent Bank or the counter-party is itself regulated for money laundering prevention; and where regulated, the correspondent shall verify the identity of its customers in accordance with Financial Action Task Force (FATF) standards; and where this is not the case, additional due diligence shall be required to ascertain and assess the correspondent's internal policy on money laundering prevention and KYC procedures.

CBN shall guard against establishing correspondent Banking relationships with high risk foreign Banks such as shell Banks, with correspondent Banks that have historically allowed their institutions to be used for ML/FT.

16.0 High Risk Geographic Locations

Care should also be taken when doing business with third parties located in Geographic locations with a history of supporting terrorism; bases for drug production/distribution; suffering from civil unrest/war.

These includes jurisdictions that have been identified as high risk countries by standard setting institutions such as FATF; countries on designated sanction Lists such as the United Nations Consolidated Lists and US Office of Foreign Asset Control (OFAC) List.

17.0 Customer Acceptance Policy

Central Bank of Nigeria shall accept customers after due verification of customers' identities, address and/or place of business, after ascertaining their source of income / funds and after considering the level of risks they pose to the Bank, based on the kind of business under consideration (e.g. Bureau De Change Operators).

Care will be taken to apply appropriate level of due diligence, depending on customers' risk profiles. No account shall be opened for anonymous or fictitious customers.

The CBN should not enter into a relationship with a prospective customer until the person/entity has been duly identified and verified. The customer acceptance process also includes ensuring that the prospective customer is not on the 'watch list' which includes names of sanctioned persons as well as known fraudsters.

18.0 Customer Identification

The Bank would identify and verify the identity of its customers and their beneficial owners. The Bank shall not consummate a business relationship until all relevant parties to the relationship have been identified and the nature of the business they intend to conduct ascertained.

Once an on-going business relationship is established, any inconsistent activity shall be examined to determine whether or not there is an element of money laundering.

Customer identification could be a major issue when establishing business relationship with a prospective customer and an on-going due diligence is necessary when the relationship has been fully consummated.

The Bank shall conduct a risk assessment of their customer base and in determining the risks, shall consider the following:

- a. The types of accounts offered
- b. The methods of opening accounts
- c. The types of identifying information available
- d. The institution's size, location, and customer base.

As a general rule, approval must be obtained from the Accountant General of the Federation before any SBU or Branch will open an account for all Ministries, Departments and Agencies of government.

19.0 Customer Due Diligence (CDD)

SBUs and Branches shall put in place Customer Due Diligence procedures which shall be monitored by the AML/CFT Compliance Office. Due Diligence shall be conducted for all customers in the following instances:

- When banking relationships are established;
- Where there is a suspicion of money laundering or terrorist financing;
- When the Bank has doubts about the validity or adequacy of previously obtained customer identification data.

As an Ordering or Intermediary financial institution when carrying out a wire transfer, the Bank will ensure that qualifying wire transfers contain and retain required and accurate originator and beneficiary information.

The Bank will conduct customer due diligence on a risk-sensitive basis to ensure our limited resources are focused on the higher risk accounts and/or transactions. The following category would be used:

- **Simplified Due Diligence**

Where an account is of inherently low risks, the Bank shall apply reduced or simplified measures. There are low risks in circumstances where the risk of money laundering or terrorism financing is lower, information on the identity of

the customer and the beneficial owner of an account is publicly available or where adequate checks and controls exist elsewhere in national systems, or where the volume transacted in the accounts is considered low.

In the event that the Bank applies Simplified or Reduced Customer Due Diligence measures to customers resident abroad, it shall be limited to customers in countries that have effectively implemented the FATF recommendations.

The Simplified CDD measures shall not apply to a customer whenever there is suspicion of money laundering or terrorist financing or specific higher risk scenarios. In such a circumstance, enhanced due diligence shall become mandatory.

- **Enhanced Due Diligence (EDD)**

Enhanced Due Diligence is applied where the account/relationship is deemed to be high risk in nature. An increased level of monitoring of such account would be carried out. It goes as far as identifying the beneficial owners of entities and understanding their line of business.

The Bank shall perform enhanced due diligence for high risk categories of customer, business relationship or transaction.

20.0 Reporting

The Chief Compliance Officer shall render reports on unusual funds transactions to the Committee of Governors' (COG).

21.0 Other AML/CFT Reports to be rendered

The CCO shall collate and present the exceptions noted to the Bank's management and the audit committee of the Board.

| Items | Description | Frequency |
|--|---|------------------|
| Special Reports on Funds Transactions (SRFT) | Reports of all customers' transaction above one | Monthly |

| | | |
|--|--|----------------------------------|
| | hundred million naira (N100m) | |
| Swift Sanction Screening Reports | Reports of all customers' foreign transactions screened on the SWIFT sanction screening system. | Monthly |
| Testing for adequacy of AML/CFT Compliance | The CCO is required to test and determine the adequacy of the AML/CFT framework and identify areas of potential risks not covered by the AML/CFT Regulation. | Bi- annually (June and December) |
| New Areas of AML/CFT Risks | The CCO is required to review, identify and record other areas of potential money laundering risks not covered by the Regulation and report same to the Board Audit Committee. | Monthly |

The following returns/actions are required to be provided by various SBUs and Branches under the regulation:

| Items | Description | Frequency |
|---|---|---|
| Special Reports on Funds Transactions (SRFT) | Reports of all customers' transactions above one hundred million naira (₦100m). (See appendix B for report format) | Weekly |
| Employee Money Laundering Education and Training Programmes | Capacity Development Department shall develop an action plan for training in collaboration with AML/CFT Compliance Office of Governors' Department and other regulatory Departments. Capacity Development Department is required to render quarterly returns on their level of compliance with the training plan to the Governors' Department. | Annually Bi-Annually |
| Hiring of new employees | Human Resources Department should screen and obtain clarification from Banking Supervision Department that prospective employees had not been black listed from working in the banking industry. | Report to be part of documentation for approval to hire |
| Additional procedures and mitigants | Based on test of adequacy conducted, the CCO is required to design additional procedures and mitigants as contingency plan. These will provide how such potential risks will be appropriately managed if they crystallize. Details of the contingency plan are to be presented to the COG. | Bi-Annually (June and December) |

| | | |
|--|--|--------------------|
| Testing for the Adequacy of the AML/CFT Compliance Program every financial year. | The AML/CFT Compliance Program is to be independently tested by the Internal Audit Team to determine its adequacy, completeness and effectiveness. Report of compliance is required to be rendered to the COG. | Annually |
| Returns on United Nations Security Council Resolutions(UNSCRs) and other Terrorism Financing designated sanction lists | Information Technology Department to deploy appropriate software/ technology. | As the need arises |

PART 2: PROCÉDURES

The general principles and means of obtaining satisfactory identification evidence are set out below:

22.0 Nature and Level of the Business

The Bank shall obtain sufficient information on the nature of the business that the prospective customer intends to undertake, including the expected or predictable pattern of transactions. The information collected at the outset for this purpose shall include:

- a. Purpose and reason for opening the account or establishing the relationship
- b. Nature of the activity that is to be undertaken
- c. Expected origin of the funds to be used during the relationship
- d. Details of occupation/employment/business activities and sources of income.

The Bank shall keep the information up to date as the opportunities arise, such as when an existing customer opens a new account or when there are changes to the mandate of the account.

Information obtained during any meeting, discussion or other communication with the customer shall be recorded and kept in the customer's mandate file to ensure that current customer information is readily accessible to the Anti-Money Laundering Compliance Office.

Particular attention should be made to these customers when conducting due diligence:

Politically Exposed Persons (PEPs)

- b. Non- face to face relationship.
- c. Non-Governmental Organizations (NGOs)
- d. Off-shore Correspondence Accounts
- e. Ministries, Departments and Agencies (MDAs)

23.0 Means of Identification

All institutions wishing to establish account or business relationship with the Bank shall provide proof of address, while operators of the account shall be required to provide other forms of identification, such as international passport/driver's license/national identity card and Bank Verification Number (BVN).

24.0 Sanction Screening

All transfers to third parties are to be screened against the sanction lists. The sanction lists will be updated periodically by the Administrator in line with releases by relevant service providers.

25.0 Whistle-Blower Protection

Employees play an important role in raising issues and concerns which help the Bank better identify, address and deter money laundering and terrorism financing. The Bank has adopted whistle-blower protection to ensure that it provides a safe environment for reporting and addressing suspected non-conformity with the provisions of this manual.

Reports of violations or suspected violations shall be kept confidential and consistent with the need to conduct an adequate and independent investigation and protect the identity of the whistle blower at all times.

Whistle blowers shall be protected by the Bank if they are threatened or likely to be exposed to risk as a result of reporting any unethical conduct. An employee who harasses or threatens a whistle blower shall be disciplined in line with the provisions of the *Human Resources Policy and Procedure Manual (HRPPM)*.

26.0 Periodic Customer Review

Risk management is an ongoing process throughout the life of the relationship and as such reassessments must be carried out on a periodic basis. The period is determined by the initial risk assessment given to the customer at account opening. The customer's information should be updated as follows:

- High risk clients 2 year cycle.
- Medium risk clients 4 year cycle

- Low risk clients 5 year cycle.

However, it is to be noted that an event can trigger a risk re-assessment review outside the aforementioned cycle i.e. "Event Driven Review" e.g. where there is a sudden change in the leadership or account signatories of the MDA or financial institution.

27.0 KYC Documentation Requirements

The Bank shall obtain from the prospective customers the minimum KYC documentation as stated in appendix A in this manual for all MDAs.

For other business relationships, the affected SBUs and Branches shall obtain the minimum KYC requirements.

28.0 Record Keeping

The law requires that records of customers' transactions be kept for a minimum period of five (5) years after the transaction has been consummated. For the purpose of this Manual, customers' transactions records shall be kept for a minimum of five (5) years, whether or not the customer has ceased business relationship with the Bank.

The Bank shall maintain customers' records of identification, account files and business correspondence for as long as the relationship subsists and at least five (5) years following the termination of an account or business relationship and shall make available such records as may be required by the AML/CFT Compliance Office from time to time.

SBUs and Branches would retain records of customer identification and transactions. This is both for internal audit purposes and in order to enable the authorities to investigate and trace laundered money when necessary.

The Bank will maintain records of all suspicious or large transactions identified and what decision was reached.

Records are kept for a minimum period of five (5) years as may be required by the Law from the date of the last transaction.

29.0 Account Monitoring

Occasionally customers may seek to deliberately build up a degree of trust before they use their account for criminal or/and terrorist financing purposes. Customers may be involved in money laundering and terrorist financing, therefore any product or service offered by the Bank is a potential medium for either activity.

The nature of business must be recorded when the account is opened and that is the initial yardstick by which staff will measure whether the account is being conducted in line with the expectations or whether suspicious transactions are being passed through. It is the early period of a new customer relationship that represents the greatest vulnerability and warrants close attention.

It is also vital that the Bank accepts every opportunity to update information on customers in order to maintain a high standard of monitoring. Attention should also be given to ensuring that documentation is reviewed on a regular basis and is automatically updated when events such as change of address or change of signatories occurs.

Identification of any of the types of transaction does not automatically establish suspicion, but should arouse prompt enquiry and consideration of the circumstance. Hence, there is need for good Know Your Customer (KYC)/Know Your Customer's Business (KYCB) knowledge and records.

Whereas the primary responsibility for identifying suspicious transactions lies with the staff processing or checking items. The Bank, as an additional safeguard, shall deploy appropriate software/technology that will generate report for suspicious transactions that are scrutinized by the Chief Compliance Officer.

On risk assessment basis, customer information must be updated during general communication with customers. This information must include but is not limited to the names of current directors (if applicable), type of business and volume to be expected

over the account. It also gives the customer the opportunity to inform the Bank of any new areas of business intended.

Consequently, the Bank will be able to see if there are any material changes to the organization. Such information is an integral part of the KYC process and must be kept up to date.

Special Reports On Funds Transactions (SRFT)

Identification

When a transaction or suspicious transaction whether or not it relates to the laundering of the proceeds of a crime or an illegal act –

- Involves a frequency which is unjustifiable or unreasonable,
- Is surrounded by conditions of unusual or unjustified complexity; or
- Appears to have no economic justification or lawful objective,

The Bank shall obtain information from the customer as to the origin and destination of the funds, the aim of the transaction and the identity of the beneficiary. All transactions falling into this category shall be reported to the AML/CFT Office within 7 days after the occurrence of the transaction using the template provided.

The Bank will acquire an AML Software, for the purpose of identifying potential suspicion in customers' activities and for filtering transactions.

Notwithstanding the software in place at the Bank, it is still the responsibility of every branch operatives to file any unusual transaction that may be grounds for suspicion of Money Laundering and Terrorist Financing which might not adequately be captured by the software.

30.0 Investigations (Alert Review and enquiry)

When a transaction falls within the definition covered by this Compliance Manual, the authorized Staff of the Branch where the transaction occurs shall immediately follow the procedure below:

- Seek information from the customer as to the source of the funds, the purpose of the transaction and the identity of the beneficiary.

- The Branch Controller/Head of SBUs shall make a formal report to the AML/CFT Compliance Office within 2 days of the determination of the occurrence of the suspicious transaction.
- Upon receipt of the report, the AML/CFT Compliance Office shall carry out a careful check on the transaction to enable it form an opinion whether it falls within the definition given above.
- The CCO shall designate an Officer to promptly review account/transactions in conjunction with the compliance officer in the SBU or Branch. Every action taken shall be recorded.
- The CCO shall carry out further evaluation and form final opinion on whether the transaction qualifies to be lodged as SRFT or not.
- Once this is established, the CCO will cause a detailed report on the matter containing all relevant information on the matter.
- The Chief Compliance Officer (CCO) shall promptly process the reports and escalate those that are deemed questionable to COG for prompt approval for actions.

31.0 Documentation of closed Alerts

All alerts reviewed and found not to be suspicious will be filed and closed.

32.0 Training

The CCO shall ensure adequate training of staff on AML/CFT compliance issues and act as a contact point within the Bank to provide answers to compliance queries from respondent Banks and staff members. The Office shall also help in establishing written guidance for staff on the appropriate compliance with laws, rules and standards through policies and procedures and other documents such as compliance manuals, codes of conduct and practice guidelines.

At a minimum, all new employees must receive formal training within 60 days of their joining the Bank. This training should cover local anti-money laundering laws, Anti-Money Laundering Policy and Procedures, and recognizing and reporting Suspicious

Transactions (employee responsibilities and examples of suspicious activity, "red flags").

AML/CFT Compliance Office must maintain a record of all formal training, to include the names and positions of the participants, for at least 5 years.

Annually all staff are targeted to attend AML refresher training to update them of all new developments including information on current Money Laundering ML/ FT techniques, methods and trends; ML red flags; KYC requirements; customer transaction monitoring and suspicious transaction reporting; new changes in the Global AML world and local regulations.

33.0 Internal Control and Independent Testing

Independent Testing

An important component of an AML Program is an independent test or audit of the program. The independent test requirement must be performed, either internally or externally, by parties independent of the creation of the business' AML procedures. In most cases, this testing is performed by Internal Audit Department. To supplement this independent test, there are several other internal controls to be performed by AML/CFT Compliance Office.

Internal Audit Department

The scope and breadth of the activities of the AML/CFT compliance function shall be subject to periodic review by the internal audit function. An audit programme which covers the adequacy and effectiveness of the Bank's compliance function should be established, including testing of controls commensurate with the perceived level of risk.

34.0 APPENDICES:

A. KYC Requirements for opening Government Accounts - Federal, State and Local Governments and their Parastatals Documentation

| Documents | Waiver | Deferral | Approving Authority | Period of Deferral |
|--|-------------|-------------|---------------------|--------------------|
| Duly Completed Account Opening Form | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| Completed KYC Form for each of the signatories | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| Completed individual Signatory customer's personal information form. | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| Two (2) Recent Passport Photographs of each of the Signatories | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| Two Completed Mandate Cards | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| Certified copy of official gazette establishing the Ministry/Government /Agency or Parastatal | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| Letter of authority from the Accountant General of the Federation or State Government as the case may be. For Local Government, the letter should be signed by Council Manager, Treasurer, Chairman and Accountant General for Local Government. | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| Application letter from the Head Ministry/Agency/Parastatal with details of signatories to the account. | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| Acceptable Means of Identification for each of | Not Allowed | Not Allowed | D/G (Operations) | N/A |

| | | | | |
|---|-------------|-------------|------------------|-----|
| <p>the Signatories</p> <ul style="list-style-type: none"> - National ID - Resident's Permit - Bank Verification Number (BVN) - International Passport - Driver's License | | | | |
| <p>Report of verification/confirmation done at the office of the Accountant General/ Chairman of Local Government conducted by a designated staff of the Bank</p> | Not Allowed | Not Allowed | D/G (Operations) | N/A |
| <p>Duly Completed Address Verification Form of the MDA's address</p> | Not Allowed | Not Allowed | D/G (Operations) | N/A |

B. Reporting Format for Special Report on Funds Transactions (SRFT)

| DEPT./BRANCH: | | CENTRAL BANK OF NIGERIA | | | | | | | | | | | | |
|--|-------------|--------------------------------|------------------|------------------|-----------|----------|---------|----------------|------------------|------------------|---------------------|--------|------------------------|------------------------|
| SPECIAL REPORTS ON FUNDS TRANSACTIONS (SRFT) | | | | | | | | | | | | | | |
| Special Transactions Reporting Form: | | | | | | | | | | | | | | |
| S/No | Report Date | Reference No | Name Of Customer | Customer Address | Telephone | Acc Type | Acct No | Account Status | Transaction Date | Transaction Type | Transaction Details | Amount | Purpose Of Transaction | Source Origin Of Funds |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Notes: | | | | | | | | | | | | | | |
| Value of transactions to be reported should be from N100 million Naira and above | | | | | | | | | | | | | | |
| Transaction Type should be either INFLOW or OUTFLOW | | | | | | | | | | | | | | |

Reporting Officers:

| | |
|----------------------------|--|
| Name of Reporting Officer: | |
| Status: | |
| Signature: | |

Approving Officer:

| | |
|----------------------------|--|
| Name of Approving Officer: | |
| Status: | |
| Signature: | |

C. The FATF Recommendations

INTERNATIONAL STANDARDS ON COMBATING MONEY LAUNDERING AND THE FINANCING OF TERRORISM & PROLIFERATION

A – AML/CFT POLICIES AND COORDINATION

- 1 - Assessing risks & applying a risk-based approach
- 2 - National cooperation and coordination

B – MONEY LAUNDERING AND CONFISCATION

- 3 - Money laundering offence
- 4 - Confiscation and provisional measures

C – TERRORIST FINANCING AND FINANCING OF PROLIFERATION

- 5 - Terrorist financing offence
- 6 - Targeted financial sanctions related to terrorism & terrorist financing
- 7 - Targeted financial sanctions related to proliferation
- 8 - Non-profit organisations

D – PREVENTIVE MEASURES

- 9 - Financial institution secrecy laws

Customer due diligence and record keeping

- 10 - Customer due diligence
- 11 - Record keeping

Additional measures for specific customers and activities

- 12 - Politically exposed persons
- 13 - Correspondent banking
- 14 - Money or value transfer services
- 15 - New technologies
- 16 - Wire transfers

Reliance, Controls and Financial Groups

- 17 - Reliance on third parties
- 18 - Internal controls and foreign branches and subsidiaries
- 19 - Higher-risk countries

Reporting of suspicious transactions

- 20 - Reporting of suspicious transactions
- 21 - Tipping-off and confidentiality

Designated non-financial Businesses and Professions (DNFBPs)

- 22 - DNFBPs: Customer due diligence
- 23 - DNFBPs: Other measures

**E – TRANSPARENCY AND BENEFICIAL OWNERSHIP
OF LEGAL PERSONS AND ARRANGEMENTS**

- 24 - Transparency and beneficial ownership of legal persons
- 25 - Transparency and beneficial ownership of legal arrangements

**F – POWERS AND RESPONSIBILITIES OF COMPETENT AUTHORITIES
AND OTHER INSTITUTIONAL MEASURES**

Regulation and Supervision

- 26 - Regulation and supervision of financial institutions
- 27 - Powers of supervisors
- 28 - Regulation and supervision of DNFBPs

Operational and Law Enforcement

- 29 - Financial intelligence units
- 30 - Responsibilities of law enforcement and investigative authorities
- 31 - Powers of law enforcement and investigative authorities
- 32 - Cash couriers

General Requirements

- 33 - Statistics
- 34 - Guidance and feedback




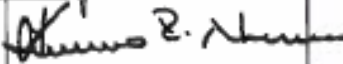
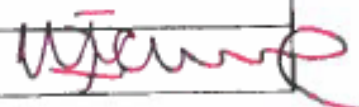
Sanctions

- 35 – Sanctions

G – INTERNATIONAL COOPERATION

- 36 - International instruments
- 37 - SRV Mutual legal assistance
- 38 - Mutual legal assistance: freezing and confiscation
- 39 - Extradition
- 40 - Other forms of international cooperation

35.0 APPROVALS

| S/N | AUTHORIZING OFFICER | DESIGNATION | SIGNATURE AND DATE |
|-----|---------------------|----------------------|---|
| 1. | ADEMOSU, MOSES A | Asst. Director, GVD |  |
| 2. | Okoro, S-N. | Deputy Director, GVD |  |
| 3. | Ifechuku Anthony | Director, GVD |  |
| 4. | O. J. Nnanna, Ph.D | Deputy Governor, FSS |  |
| 5. | EMEFULE, GI | Governor, CBN |  |

PART I

MONETARY POLICY DEPARTMENT
CIRCULARS, POLICIES AND GUIDELINES



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 139 OF THE MONETARY POLICY COMMITTEE MEETING HELD ON MONDAY 22nd AND TUESDAY 23rd NOVEMBER 2021

The Monetary Policy Committee (MPC) met on 22nd and 23rd November 2021, in light of the continued recovery of the global economy and improving output growth in the domestic economy. Though, the growth outlook for the global economy for the rest of the year and into 2022 remains favourable, the uneven pace of recovery across countries has persisted. This was driven primarily by country and regional disparities in COVID-19 vaccination rate, size of policy support and regional economic conditions. On the domestic front, the continued support by the monetary and fiscal authorities is sustaining the growth recovery, notwithstanding the persistence of security challenges and legacy infrastructural constraints. The Committee appraised the developments in the global economy, international financial environment and the domestic economy, as well as the outlook for the rest of the year and the first quarter of 2022.

Ten (10) members of the Committee attended this meeting.

Global Economic Developments

Global output growth has remained upbeat as economic agents defy the continued threat posed by the sharp rise in infection rates associated with new strains of the COVID-19 virus. Despite the forecast for a robust recovery of the global economy in 2021, the uneven pace of vaccination across the globe and the continued rise in infection rates by the more fatal and mutating strains of the COVID-19 virus, suggest that the current two-speed recovery of the global economy may persist longer than anticipated. This may, however, be remedied

if governments across the globe rally to improve coordination in the distribution of vaccines to aid the early attainment of global herd immunity. The Committee noted that the downside risks to the recovery may persist if the spread of these new variants is not addressed urgently.

In light of the above dynamics and associated headwinds, the International Monetary Fund (IMF) downgraded its 2021 growth forecast for the global economy from 6.0 per cent to 5.9 per cent. It also revised the projection for the Advanced Economies downwards from 5.6 per cent to 5.2 per cent. The downgrade was, however, offset by an upgrade of the growth forecast for Emerging Markets and Developing Economies (EMDEs) in 2021. Thus, the forecast for the Emerging Markets and Developing Economies was revised upwards to 6.4 per cent from 6.3 per cent.

Inflation across several Advanced Economies is expected to continue its upward trend into 2022, contrary to earlier expectations of transiency, as commodity prices continue to recover and feeding into energy and goods prices. This is on the backdrop of rising demand, associated with the sustained rebound in global output growth, amid lingering supply constraints. In response to the persistence of price development, the US Federal Reserve Bank has announced its intention to commence tapering its monthly bond-buying programme by the end of November 2021. Other advanced economy central banks have also indicated the likelihood of following suit in the short to medium term. In key Emerging Market and Developing Economies, inflation remained relatively high compared with the Advanced Economies. This is mostly due to supply-side constraints associated with the Pandemic; exchange rate pressures; and other legacy structural problems. The severity of inflationary pressures in this group of economies, however, varies across countries in relation to the specific structure and dynamics of the individual economies.

In the global financial markets, equity prices largely maintained a strong post-lockdown recovery, while investors continued to maintain a sizeable hedge in gold, possibly to ease the impact of a rebound of the Pandemic as infection

rates continue to rise. The financial markets remained moderately bullish, an indication that investors remain cautious in view of the unabating Pandemic. This is reflected by the price of Gold, which has remained well above pre-Pandemic levels.

Domestic Economic Developments

According to the National Bureau of Statistics (NBS), real Gross Domestic Product (GDP) grew by 4.03 per cent (year-on-year) in the third quarter of 2021, compared with 5.01 and -3.62 per cent in Q2 2021 and Q3 2020, respectively. The growth trajectory has thus, been positive in the last four quarters following the exit from the recession in 2020. Quarter-on-quarter, real GDP grew by 11.07 per cent in Q3 2021 compared with -0.79 per cent in the preceding quarter. This improvement in real GDP was driven by growth in both the oil and non-oil sectors by 12.05 and 10.99 per cent, respectively. The Committee also noted the continued improvement in the Manufacturing Purchasing Managers' Index (PMI), which though, remained below the 50-index point benchmark, rose to 47.3 index points in October 2021 from 46.6 index points in September 2021. This improvement indicated a gradual recovery of output growth, driven largely by the increase in new orders associated with rising aggregate demand and upswing in business activities. The Non-Manufacturing PMI, however, declined to 47.5 index points in October 2021 from 47.8 index points in September 2021 as uncertainties persisted around the poor security situation.

The Committee noted the continued moderation in headline inflation (year-on-year) to 15.99 per cent in October 2021 from 16.63 per cent in the previous month, the seventh consecutive month of decline. The decrease was attributed to a marginal decline in both the food and core components to 18.34 and 13.34 per cent in October 2021 from 19.57 and 13.74 per cent, respectively in September 2021. Inflation, however, remained above the Bank's implicit tolerance corridor of 6 – 9 per cent and above its benchmark policy rate of 11.5 per cent despite its progressive decline.

Observing developments in monetary aggregates, the Committee noted that broad money supply (M3) grew by 7.10 per cent in October 2021, compared with 4.72 per cent in September 2021. This was driven by growth in Net Domestic Assets (NDA) by 9.12 per cent in October 2021, compared with 10.71 per cent recorded in September 2021. Net Foreign Assets (NFA), on the other hand, contracted moderately by -1.50 per cent in October, compared with -20.85 per cent in the preceding month. The continued growth in Net Domestic Assets (NDA) was largely driven by increased claims on the Federal Government and other public nonfinancial corporations, private sector and state and local governments.

In the financial markets, money market rates oscillated within the standing facilities corridor, reflecting the prevailing liquidity conditions in the banking system. The monthly weighted average Open Buyback (OBB) rate increased to 12.18 per cent in October 2021 from 11.11 per cent in September 2021, while the monthly weighted average Inter-bank Call rate decreased from 13.21 per cent in September 2021, to 10.00 per cent in October 2021. The increase in the Open Buyback (OBB) rate reflected the tight liquidity condition in the banking system.

The MPC noted the positive performance of the equities market in the review period, with the All-Share Index (ASI) and Market Capitalization(MC) increasing to 43,199.27 and ₦22.55 trillion on November 19, 2021, from 39,219.61 and ₦20.43 trillion on August 31, 2021. This depicts improved investor sentiment, following impressive corporate earnings of listed companies on the Exchange. This has led to a new bargain hunting drive by investors.

The MPC noted that the Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) both remained above their prudential limits at 15.2 and 41.2 per cent, respectively. The Non-Performing Loan ratio (NPL) at 5.3 per cent in October 2021, reflected progressive improvement, compared with 5.7 per cent in October 2020. The Committee, however, urged the Bank to sustain its tight prudential regime to bring the Non-Performing Loan (NPL) ratio below the 5.0 per cent prudential benchmark.

The gross external reserves stood at US\$41.41 billion as at November 18, 2021, compared with US\$41.34 billion in October 2021, a moderate increase of 0.17 per cent.

Outlook

The overall outlook for both the global and domestic economies remain upbeat but for the significant downside risks clouding the path to full recovery. The key risks remain the unabating COVID-19 pandemic and uneven progress in vaccination. As the US Federal Reserve Bank commences scaling down of its monthly bond-buying programme, there is increased likelihood that other advanced economy central banks will follow in the same direction. With this impending development, external financial conditions will likely tighten for most EMDs, in view of huge capital flow reversals to the Advanced Economies as yields rise. This will no doubt deepen the growth divergence between these two groups of economies.

Forecasts for key macroeconomic variables for the Nigerian economy, indicate continuing rebound in growth recovery for the rest of the year. This is expected on the back of continued support by both monetary and fiscal policy, sustained high crude oil prices and most importantly, availability of COVID-19 vaccines as well as high turnout for vaccination in Nigeria. Accordingly, the Nigerian economy is forecast to grow in 2021 by 3.10 per cent (CBN), 3.0 per cent (FGN) and 2.6 per cent (IMF). Inflation is expected to continue its downward trajectory as the harvest season sets in and the government works on improving the security situation to ease the bottlenecks constraining food supply.

The Committee's Considerations

The Committee commended the continued recovery in output growth following a positive outcome in the third quarter of 2021.

Based on the current outlook for price development and growth, Members carefully reviewed the options confronting the Committee in the short to medium term, taking into consideration, key downside risks to growth and

upside risks to inflation. Members reiterated the need to remain cautious and urged both the monetary and fiscal authorities to sustain their support for the recovery, as the Pandemic was yet to be over. The Committee, however, noted that with the sustained intervention by the Bank, economic activities will normalize in the short to medium term, leading to improved output growth and lower inflationary pressure. The MPC also urged the fiscal authorities to sustain the current effort to revamp the economy through continued support to the critical sectors of the economy.

The continued security challenge across the country remained a major source of concern for Members, noting its impact on business confidence, foreign investment inflows and overall economic activities. The persistence of insecurity in major food producing areas, remained a key downside risk to the recovery. The Committee called on security agencies in the country to increase their presence in order to boost public confidence and facilitate the movement of people, goods and services across the country. With improved security, especially in these food producing areas, Members expressed optimism that food inflation will drop significantly following successful harvests and distribution.

The Committee also commended the gradual diversification of the economy with the increased contribution of the non-oil sector to Government revenues and called for more support to increase non-oil exports as a source of foreign exchange earnings into the economy.

Members also reiterated the impact of poor infrastructure on rising domestic price levels, urging the Federal Government to prioritize investment in public utilities to improve the business environment. These include transportation networks, power supply, education and health. Following the President's recent international call to investors to channel investments to Nigeria, Members were of the view that funding for such projects could be sourced through equitable partnerships with foreign investors and Nigerians in diaspora.

The Committee noted that the equities market remained in a strong position, signposting continued investor confidence in the Nigerian economy. Members

thus urged the monetary and fiscal authorities to build on this sustained confidence to attract more Foreign Direct Investment into Nigeria.

The MPC welcomed the continued resilience of the banking system in the face of severe shocks to both the domestic and global economies, commending the Bank's Management for maintaining overall stability in the banking system. The Committee thus, called on the Bank to continue to push for increased intermediation as the way forward to reduce unemployment, enhance production, create wealth, and improve aggregate demand to strengthen the recovery. On this note, Members applauded the success achieved by the Bank's various intervention schemes, which have contributed to both the demand and supply sides of the economy.

The Committee reviewed the performance of the Bank's various interventions aimed at sustaining recovery of output growth and addressing the downside risks to other external and domestic shocks to the economy. Interventions continued largely in manufacturing/industries, agriculture, energy/infrastructure, healthcare and Micro, Small and Medium Enterprises (MSMEs). Under the Targeted Credit Facility, the Bank has disbursed a total of ₦363.49 billion to 766,719 beneficiaries, comprising 638,070 households and 128,649 small businesses. Under its Agribusiness Small and Medium Enterprise Investment Scheme (AgSMEIS), the Bank has released ₦134.63 billion to 37,571 entrepreneurs.

Between September and October 2021, under the Anchor Borrowers' Programme (ABP), the Bank disbursed ₦43.19 billion to support the cultivation of over 250,000 hectares of maize, sorghum, soya beans and rice during the 2021 dry season; and ₦5.88 billion to finance six (6) large-scale agricultural projects under the Commercial Agriculture Credit Scheme (CACs). Cumulatively the Bank has disbursed the total sum of ₦864 billion to 4.1 million farmers, cultivating 5.02 million hectares. The bank also disbursed the sum of ₦41.2 billion for the commencement of the brown revolution, a large-scale wheat program to wean us off imports by 35 per cent in the first year.

In addition, the Bank disbursed the sum of ₦261.92 billion for 42 additional projects under the ₦1 trillion manufacturing intervention. Cumulatively, the bank has disbursed the sum of ₦1.08 trillion under this Scheme. As part of its effort to support the resilience of the healthcare sector, the Bank disbursed ₦5.39 billion to Nine (9) healthcare projects under the Healthcare Sector Intervention Facility (HSIF). The Bank has also cumulatively disbursed the sum of ₦108.65 billion to hospitals and pharmaceutical industry. 54 of the 117 projects funded are for hospital services. Committee was gratified that the funding under Health sector has resulted in establishment of two(2) new Cancer Centers, over 59 MRI and more than 42 CT Scan Centers in Nigeria, within the last 18 months

To further promote entrepreneurship development among Nigerian youth, the Bank recently approved the implementation of the Tertiary Institutions Entrepreneurship Scheme (TIES). The Scheme is designed to create a paradigm shift among undergraduates and graduates of tertiary institutions in Nigeria, from white-collar jobs towards entrepreneurship development. The guidelines for the implementation of the Scheme was recently published, as Bank of Industry (BOI) is presently partnering with the Bank for the pilot implementation phase.

Under the National Mass Metering Programme (NMMP), ₦8.69 billion was disbursed to four (4) Distribution Companies (DisCos) under the scheme's Phase-0. The sum of ₦47.66 billion has been disbursed so far for the acquisition of 858,026 meters. Also, in furtherance of its intervention in the energy sector, the Bank released ₦27.03 billion to power sector players under the Nigeria Bulk Electricity Trading Payment Assurance Facility (NBET-PAF). This is in addition to the ₦37.69 billion disbursed to eight (8) Distribution Companies (DisCos) recently, under the Nigeria Electricity Market Stabilisation Facility (NEMSF-2).

The Bank has disbursed the sum of ₦39.2bn under the Nigerian gas expansion program to promote the migration to compressed natural gas (CNG) as the

preferred fuel for transportation and liquefied petroleum gas (LPG) as the preferred cooking fuel.

Furthermore, the Bank recently introduced the 100 for 100 Policy on Production and Productivity (PPP), designed to create the flow of finance and investments to enterprises with potential to kick-start a sustainable economic growth trajectory, accelerate structural transformation, promote diversification, and improve productivity in the country. It is geared to support private sector companies with the aim of reducing certain imports, increasing non-oil exports and improving the FX-generating capacity of the economy. The Bank will select and finance 100 of such companies at 100 day intervals, in line with detailed selection criteria as contained in the guidelines, and roll this over for another 100 companies for the next 100 days.

The Targeted Credit Facility (TCF) was particularly highlighted by the Committee for its contribution to alleviating poverty at the grassroots. The Committee thus urged the Bank to continue its support through the TCF to ensure that more people benefit from this programme.

With the announcement to commence monetary policy normalization by the US Fed and impending interest rate liftoff by central banks in some advanced economies, the MPC called on the Federal Government to intensify its drive towards a counter-cyclical fiscal policy in view of the imminent tightening of external financial conditions. Committee members, therefore, noted with concern that the gradual normalization of monetary policy by this group of economies would dampen the recovery of several Emerging Market and Developing Economies in the short to medium term due to the sharp reversal of capital flows.

The Committee also evaluated the developments in China relating to the re-occurring Pandemic, power outages and crisis in the property market, noting the likely impact these could have on Nigeria as a major trading partner. Members thus called on the Bank to ensure that the necessary buffers are put

in place to shield the economy from the downside risks associated with these developments.

In general, Members expressed confidence in the ongoing policies of both the monetary and fiscal authorities which in their view was the hallmark of the current recovery and restoration of macroeconomic stability in Nigeria. They, therefore, called on both authorities to look beyond the current position and plan towards attracting sustainable investment flows to Nigeria.

The Committee's Decision

At this meeting, MPC was gratified that its policy actions in the past had started to yield positive results given the remarkable improvement in GDP which stood at 4.03 per cent during Q3 of 2021 and the 6th consecutive month moderation in inflation to 15.99 per cent in October 2021.

Given the level of its conviction about the efficacy of its actions on macroeconomic variables, MPC felt that whereas tightening would further help to rein in inflation aggressively, it nevertheless feels that tightening will increase cost of funds and constrain output growth.

On the other hand, whereas loosening will lower policy rates, ease liquidity pressures, and stimulate additional credit creation which will boost output growth, MPC also thinks that loosening will further widen the negative real interest rate gap and compound the price distortions in the money markets which could fuel inflationary pressures.

As for whether to hold its existing stance, MPC believes that the existing monetary policy stance has supported the growth recovery and should be allowed to continue for a little longer for consolidation to achieve the MPC mandate of price stability that is conducive for sustainable growth. The Committee also feels that a hold stance will enable it to carefully appraise the implications of the unfolding global development around policy tapering and normalization by advanced economies.

Based on the foregoing, the Committee decided to hold all policy parameters constant to support the enabling environment for sustained recovery.

The Committee thus, decided by a unanimous vote to retain the Monetary Policy Rate (MPR) at 11.5 per cent.

In summary, the MPC voted to:

- I. Retain the MPR at 11.5 per cent;
- II. Retain the asymmetric corridor of +100/-700 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

23rd November 2021



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 138 OF THE 281ST MONETARY POLICY COMMITTEE MEETING HELD ON THURSDAY, 16TH AND FRIDAY, 17TH SEPTEMBER 2021

The Monetary Policy Committee (MPC) met on the 16th and 17th September, 2021, on a relatively comforting note of a moderate global output growth recovery and improved global trade. The performance of the global economy in the first two quarters of the year and into the third quarter, remained favourable with positive outlook for the rest of the year. However, cautious optimism persists, driven primarily by mutating and more fatal strains of the COVID-19 virus and disparities in the progress of vaccinations across several countries. In the domestic economy, output growth performance continued to improve, signposting the positive impact of the unwavering fiscal and monetary support by both the fiscal and monetary authorities to revive and sustain economic growth, post pandemic. The Committee reviewed the developments in the global and domestic economic environments in the third quarter of 2021, as well as the outlook for the rest of the year.

Ten (10) members of the Committee attended this meeting.

Global Economic Developments

The Committee noted the continuing rebound in the global recovery as several advanced and emerging market economies posted promising second quarter output growth figures, despite the uneven progress in vaccination coverage. The MPC noted that the uncontained spread of the COVID-19 virus continues to pose downside risks to global recovery in 2021 and into 2022. The MPC further noted that despite the strong output growth identified in some Advanced Economies, several developing economies were still lagging in vaccination progress. Members, emphasized that the widespread availability of vaccines, remained vital to surmounting the Pandemic and attaining full and all-inclusive

recovery of the global economy. Despite the challenges posed by the ongoing mutation of the coronavirus, governments across the globe remain focused on easing business restrictions and resuscitating economic activities. Consequently, the International Monetary Fund (IMF), maintained its aggregate projection for global growth in 2021 at 6.0 per cent, but increased its projection for the Advanced Economies to 5.6 per cent from a previous 5.1 per cent, while that for the Emerging Markets and Developing Economies (EMDEs) was downgraded to 6.3 per cent from 6.7 per cent.

Price development across several Advanced Economies has remained on a sustained uptrend and exceeding their long run objectives. This is expected to continue in the short to medium term as against earlier forecasts that the upward shift was transient. Consequently, several central banks of advanced economies are currently considering early commencement of monetary policy normalization, even though policy rate adjustments are not expected in the medium term. Across several Emerging Market and Developing Economies, inflationary pressures remained mixed, as some economies had much higher rates than their peers, due to lingering exchange rate pressures, capital flow reversals, high energy costs, supply chain disruptions and poor response to policy stimulus resulting from structural bottlenecks.

In the global financial markets, the Committee noted that while demand for equities remained strong, an indication of renewed market confidence, gold price still maintained its post-Pandemic high, reflecting the hedging by investors against a possible rebound of the Pandemic. Long-term sovereign bond yields are expected to improve with the commencement of monetary policy normalization by central banks of advanced economy. Committee members, however, expressed cautious optimism for a gradual normalization of monetary policy by these central banks, as a sharp retreat of policy stimulus may plunge the global economy into a financial crisis again. This may also increase the uncertainty around the full recovery of several Emerging Market and Developing Economies. The MPC, therefore, called on the Bank to put in place measures to

moderate the likely impact of the normalization of monetary policy on the domestic economy.

Domestic Economic Developments

In the second quarter of 2021, there was a significant improvement in the real Gross Domestic Product (GDP), which grew by 5.01 per cent compared with 0.51 and -6.10 per cent in the previous quarter and corresponding quarter of 2020, respectively. This recovery was attributed to the non-oil sector, driven by a rebound in services sector and continued growth in agriculture sector. The oil sector contracted further by -12.65 per cent (year-on-year) in the second quarter of 2021, compared with -2.21 per cent in the previous quarter. This deeper contraction, was attributed to several factors: including declining crude oil production at two crude streams in the country, associated with leakages in two major pipelines; deteriorating oil production infrastructure; poor pipeline maintenance; and the need to comply with OPEC+ production ceiling.

The Committee noted the moderate improvement in both the Manufacturing and Non-Manufacturing Purchasing Manager's Indices (PMIs), though still below the 50-index point benchmark, showed a marked improvement over time. In August 2021, the Manufacturing and non-Manufacturing PMIs improved to 46.9 index points apiece, compared with 46.6 and 44.8 index points, respectively, in July 2021. This was attributed to an increase in new orders, driven largely by rising demand, uptrend in business activity and further normalization of economic activities. Similarly, the employment level index component of the Manufacturing and non-Manufacturing PMIs in August 2021 improved to 49.4 and 48.8 index points, respectively, compared with 46.5 and 47.0 index points in July 2021. The Committee expressed optimism that with the current level of monetary and fiscal stimuli, as well as efforts to increase vaccination and contain the Pandemic, the economy will continue to improve in the short-to medium term.

The Committee reviewed the performance of the Bank's interventions to sustain the recovery of output growth and address the downside risks to other external

and domestic shocks to the economy. Interventions continued largely in Manufacturing, Agriculture, Energy/infrastructure and Micro, Small, and Medium Enterprises (MSMEs).

The Bank under its Anchor Borrowers Programme (ABP) has cumulatively released the sum of ₦798.09 billion to 3.9 million smallholder farmers cultivating 4.9 million hectares of land across the country. Out of this for the 2021 wet season farming, the Bank released the sum of ₦161.18 billion to 770,000 small-holder farmers cultivating seven (7) commodities on 1.10 million hectares across the country. While harvesting for the 2020 dry season under the Programme is rounding up, harvesting activities have commenced for the 2021 wet season cultivation. The Strategic Maize Reserve Programme of the CBN has been useful in moderating maize prices by directly targeting large feed mill producers. Under its Commercial Agriculture Credit Scheme (CACs), the CBN has supported 657 large-scale agricultural projects, to the tune of ₦708.39 billion.

To support MSMEs across the country, the Bank disbursed ₦134.57 billion to 38,140 beneficiaries under the Agribusiness/Small and Medium Enterprise Investment Scheme (AGSMEIS), and for the Targeted Credit Facility (TCF), the sum of ₦343.21 billion has been released to 726,198 beneficiaries, comprising 602,730 households and 123,468 Small and Medium Enterprises.

Under the Real Sector Facility, the Bank released the sum of ₦1.00 trillion to 269 real sector projects, of which 140 are in light manufacturing, 71 in agro-based industry, 47 in services and 11 in mining. Under the Healthcare Sector Intervention Facility (HSIF), ₦103.02 billion has been disbursed for 110 healthcare projects, of which 27 are pharmaceutical, 77 hospitals and 6 other healthcare service projects. The Bank has also disbursed a total of ₦145.99 billion under its Non-Oil Export Stimulation Facility (NESF). The CBN has revised the guidelines, working with Nigerian Export-Import Bank to improve access to the intervention and stimulate non-oil export growth in Nigeria.

Under the National Mass Metering Programme (NMMP), ₦41.06 billion has been disbursed to ten (10) DisCos, for the procurement and installation of 759,748

electricity meters. Under the Nigerian Electricity Market Stabilization Facility - 2 (NEMSF-2), the Bank has released the sum of ₦145.66 billion to 11 DisCos as loans to provide liquidity support and stimulate critical infrastructure investment to improve service delivery and collection efficiency.

In furtherance of its intervention in the energy sector, the Bank has disbursed ₦39.20 billion to six (6) beneficiaries to improve gas-based infrastructure to support the Federal Government's Auto-Gas Conversion Programme. The Bank has also encouraged Deposit Money Banks (DMBs) to participate in the Solar Connection Facility (SCF) to improve energy access in the rural areas.

To promote entrepreneurship development among Nigerian youth, the Bank recently approved the implementation of the Tertiary Institutions Entrepreneurship Scheme (TIES). The Scheme is designed to promote entrepreneurial activities and foster job creation among Nigerian youths.

The Committee applauded the continued moderation in headline inflation for the fifth consecutive month to 17.01 per cent (year-on-year) in August 2021 from 17.38 per cent in July 2021. The continued decrease was attributed to a marginal decline in the food component to 20.30 per cent in August 2021 from 21.03 per cent in July 2021. The core component, also, declined to 13.41 per cent in August 2021 from 13.72 per cent in July 2021. The MPC noted that headline inflation remained well above the Bank's benchmark corridor of 6 – 9 per cent, but expressed optimism that with sustained interventions by the Bank, food production will continue to improve, thus moderating headline inflation further. The Committee, thus, urged the fiscal authority to build on earlier efforts to articulate a clear strategy to attract private sector investment while resuscitating critical infrastructure to improve the ease of doing business in the country.

Members observed that broad money supply (M3) rose to 5.83 per cent in August 2021, compared with 2.91 per cent in July 2021. This was largely driven by the growth of Net Foreign Assets and Net Domestic Assets by 12.35 and 4.30 per cent in August 2021, compared with 1.84 and 3.17 per cent in July 2021, respectively. The growth in Net Foreign Assets was largely driven by increase in foreign asset holdings of commercial and merchant banks. The increase in Net

Domestic Assets reflects the boost to aggregate credit net, which increased to 8.14 per cent in August 2021, from 5.71 per cent in July 2021.

In the money market, the monthly weighted average Inter-Bank Call and Open Buyback (OBB) rates increased to 13.45 and 12.97 per cent in August 2021 from 10.72 and 11.60 per cent in July 2021, respectively. This increase reflected the tight liquidity conditions in the banking system during the review period as the Bank curtailed excess system liquidity.

The MPC noted the moderate improvement in the equities market in the review period, as the All-Share Index (ASI) increased by 2.67 per cent from 37,907.28 on June 30, 2021, to 38,920.50 on September 14, 2021. Market Capitalization (MC) also increased by 2.63 per cent from N19.76 trillion to N20.28 trillion over the same period, reflecting improvement in investor confidence following the strengthening of output growth.

The MPC noted that the Capital Adequacy Ratio (CAR) and the Liquidity Ratio (LR) both remained above the prudential limits at 15.2 and 41.7 per cent, respectively at end-July 2021. The Committee, also, welcomed the improvement in the Non-Performing Loans (NPLs) ratio at 5.4 per cent in July 2021, compared with 5.7 per cent in June 2021. The Committee thus, urged the Bank to sustain current efforts to bring NPLs below the 5.0 per cent prudential benchmark.

The Committee noted the improvement in lending to the real sector following the introduction of the Loans-to-Deposit Ratio (LDR) in 2019. Industry gross credit increased by N6.63 trillion from N15.57 trillion at end-May, 2019 to N22.20 trillion at end-July, 2021. The credit growth was largely recorded in manufacturing, oil and gas and agriculture sectors.

The Committee noted the significant increase in the external reserves which rose to US\$35.97 billion at end-August 2021 from US\$33.49 billion at end-July 2021, representing an increase of 7.41 per cent. It also welcomed the further increase to US\$36.03 billion on September 13, 2021.

Outlook

The outlook for both the global and domestic economies appears mixed. This is due to lingering uncertainties over the end of the COVID-19 pandemic as well as continued mutation of the virus. The slow and uneven pace of vaccination in developing economies is also compromising the achievement of global herd immunity, thus imposing a considerable headwind to the attainment of the global growth forecast.

Some central banks in advanced economies have given guidance of intended commencement of monetary policy normalization as monetary and fiscal policy across major advanced and emerging market economies have remained robust. This would constitute a further headwind to the full and inclusive recovery of the global economy due to the likely rise in cost of capital. The global economy is confronted with more headwinds than tailwinds, evidenced by the multitude of conflicting signals emerging from various major economies.

Available data and forecasts for key macroeconomic variables for the Nigerian economy, suggest further rebound in output growth for the rest of the year. This will however be hinged on the continued stability in oil price and robust vaccination in Nigeria and across other countries. Foreign exchange market stability, further reduction in inflationary pressure in the economy and continued interventions by the monetary and fiscal authorities are very important factors to sustain the recovery momentum. Consequently, the Nigerian economy is forecast to grow in 2021 by 2.86 per cent (CBN), 3.0 per cent (FGN) and 2.5 per cent (IMF).

The Committee's Considerations

The Committee noted the recovery in output growth and improving PMIs in the second quarter and urged the Bank to maintain the momentum of its current policy measures to sustain positive and inclusive real GDP growth.

The increasing level of insecurity in parts of the country remained a crucial point of concern for the MPC as its persistence could adversely impact business

confidence and derail the recovery. It continued to call on the Federal Government to prioritize security surveillance in farming communities as the increased supply of food would play a significant role in stabilizing macroeconomic fundamentals.

The Committee applauded the steady but moderate decline in domestic prices as inflation decelerated for the fifth consecutive month with forecast indicating a continued downward trend. The Committee also welcomed ongoing efforts towards revitalising the Nigeria Commodity Exchange (NCX) to improve the supply value chain, curtail the speculative activities of middlemen in the agricultural sector, and consequently drive down prices of key commodities such as paddy rice, maize, wheat and sorghum, amongst others.

Members applauded the relentless effort by the Bank and other collaborators in ensuring the eventual take off of the Nigerian Infrastructure Corporation (INFRACORP), as this will improve the business environment, attract new investment and create new jobs in the Nigerian economy. The MPC further emphasised the importance of investment in transportation networks, power supply and telecommunication as these have a multiplier effect on other sectors of the economy. In addition to the INFRACORP initiative, Members urged the fiscal authority not to relent on other complementary infrastructure initiatives such as Public-Private-Partnerships and engagement of Nigeria's huge diaspora through the issuance of diaspora bonds to fund specific projects.

The MPC noted the moderate improvement in the equities market and commended the sustained investor confidence in the Nigerian economy. The Committee however called on the Federal Government to continue to improve the ease of doing business in Nigeria to retain the current patronage of the Nigerian economy by foreign investors.

Members applauded the continued resilience of the banking system, noting the progressive decline in the non-performing loans ratio, and broad improvement in all banking system parameters, despite the downside risks posed by the Pandemic to the smooth running of businesses. While the Committee was

cognizant of the credit risks associated with lending in the current economic climate, it urged Nigerian banks to extend more credit to businesses and consumers to facilitate a seamless recovery of output growth, reduce unemployment and stabilize prices.

On the management of the exchange rate, the Committee applauded the Bank for improving foreign exchange supply in the economy to meet legitimate business and consumer demand. Members thus, urged the Bank to take further steps to restrict the activities of unauthorised and illegal dealers in the foreign exchange market, stating that all foreign exchange transactions must be conducted at the I&E window to ensure transparency and stability. The Committee, thus, called on the Bank to intensify surveillance over foreign exchange sales and utilisation by commercial banks and customers, to ensure that operators adhere to stipulated guidelines set by the CBN. The Bank thus, maintains its resolve to continue to restructure the foreign exchange market and will pursue all recent policies targeted at sanitizing the market to improve transparency and proper functioning to eliminate illegal foreign exchange dealers in the economy.

On Government revenues, members urged the Federal Government to improve its tax collection in order to reduce its dependence on oil revenues and reduce its exposure to counter-cyclical shocks.

The Committee emphasised the growing need to improve the agricultural value chain, particularly in key commodity products like cocoa, palm oil and cashew to diversify the country's export receipts. It, therefore, called on the Bank to support manufacturing initiatives that could achieve this objective.

The Committee applauded the Bank for its resilience and robust efforts in managing the downside risks to growth and the upside risks to inflation since the outbreak of the Pandemic, while charting a stable path for the economy to continue to expand its potential capacity through investment in infrastructure.

Overall, the MPC assessed the headwinds and tailwinds to growth, as well as, the upside risks to inflation, noting the immense effort by both the monetary and

fiscal authorities to achieve a substantial recovery in output growth and decrease in inflation. The Committee urged the Presidential Task Force on COVID-19 to intensify efforts toward procurement of more vaccines and the vaccination of more people to ensure that herd immunity is achieved.

The Committee's Decision

The MPC expressed delight at the robust recovery of output growth during the second quarter and the continued decline in inflation. Members, however, reiterated the need to put in place further measures to drive down inflation and improve real returns on investment. The MPC noted the unequivocal importance of credit growth to the sustained recovery of output and the moderation in price development as supply improves. It thus, called on the Bank to maintain adequate surveillance on banks to ensure compliance with its extant credit policy, while ensuring that they are not unduly exposed to credit risks.

The Committee also noted the relevance of the Bank's suite of interventions to the overall system credit, urging its continued use to fund sectors with high employment-generating capacity.

MPC weighed the pros and cons of tightening, holding or loosening the stance of policy, noting the impact on output growth, price development, unemployment and exchange rate.

Members felt that tightening will contract the current level of system liquidity, and thus reduce demand pressure in the foreign exchange market, given that the current MPR at 11.5 per cent, CRR at 27.5 per cent and liquidity ratio at 30.0 per cent is already a tightening stance. This will, however, raise the cost of credit and reduce the volume of credit to the private sector.

On loosening, the Committee felt that this would lower retail interest rates and improve the ability of obligors to repay their obligations, with a complementary reduction in NPLs. The gradual downward movement of inflation may, however, be compromised if policy accommodation is increased, leading to a further

widening of the negative real interest rate and thus exacerbating capital outflows as investment in naira denominated assets become less attractive.

Members considered that a hold stance would allow the current recovery of output growth and decline in inflation to continue smoothly, thus gradually moving the economy to a sustainable path before adjustments are made to the stance of policy.

Based on the above considerations, the MPC made the decision to hold all policy parameters constant; believing that a hold stance will enable the continued permeation of current policy measures in supporting the recorded growth recovery and macro-economic stability.

The Committee thus decided by a unanimous vote to retain the Monetary Policy Rate (MPR) at 11.5 per cent.

In summary, the MPC voted to:

- i. Retain the MPR at 11.5 per cent;
- ii. Retain the Asymmetric Corridor of +100/-700 basis points around the MPR;
- iii. Retain the CRR at 27.5 per cent;
- iv. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

17th September, 2021



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 137 OF THE MONETARY POLICY COMMITTEE MEETING HELD ON MONDAY 26th AND TUESDAY 27th JULY, 2021

The Monetary Policy Committee (MPC) met on the 26th and 27th July, 2021 faced with cautious optimism for the recovery of both the global and domestic economies. The performance of the global economy in the first two quarters of the year had been favourable and is expected to continue for the rest of the year. There is, however, renewed downside risk to this optimism associated with the fast spread of new and deadlier strains of the COVID-19 virus. The high rate of vaccination across the globe seems promising to drive herd immunity to reduce mortality rates. In the domestic economy, the continued support by both the monetary and fiscal authorities, is expected to yield favourable outcomes and hopefully return the economy to a strong recovery path in the next few quarters. The Committee reviewed the developments in the global and domestic economic and financial environments over the second quarter of 2021 and the outlook for the rest of the year.

Nine (9) members of the Committee were in attendance at this meeting.

Global Economic Developments

The Committee noted that while there has been reasonable gains in subduing the Pandemic, lowering of restrictions and reopening of several economies, the fast pace of mutation of new and deadlier strains of the virus is posing a downside risk to the full recovery of the global economy. In addition, the uneven access of vaccines across several countries is a significant risk to the attainment of global herd immunity. Despite the above challenges, governments all over the world have continued to ease restrictions to enable the recovery of supply chain networks and enhance aggregate demand. The

expected rebound in global output growth is dependent, therefore, on the efficient deployment of COVID-19 vaccines with the expectations that the evolving deadlier strains would be subdued. Even with the current outlook, the International Monetary Fund (IMF) projects global growth at 6.0 per cent in 2021, compared with the last projection of 5.5 per cent. In line with this, the Advanced Economies are projected to grow at 5.1 per cent while the Emerging Markets and Developing Economies are projected to grow at 6.7 per cent.

Price development across several economies is expected to remain moderate in the short to medium term with some prospects of a mild uptick. The Committee further noted the rise in inflation above the long run objectives of some key Advanced Economies, although reported as transient and therefore not expected to lead to an adjustment of the stance of monetary policy. There however, remains the lingering risk of an early return to monetary policy normalization, should price development continue to trend upwards. Across several Emerging Market and Developing Economies, inflationary trend was on average mixed, with some of the economies recording higher rates, compared with their peers. This was largely due to exchange rate pressures, capital flow reversals, high energy costs, weak supply chains and poor response to policy stimulus to combat the macroeconomic slowdown associated with the Pandemic.

In the global financial markets, the Committee noted the increased demand for equity securities, an indication of improved investor confidence in the global recovery. In addition, it observed the progressive weakening of long-term sovereign bond yields, as the demand for equities pick up. The MPC further noted the moderation in the price of gold, signaling reduced demand, as investors return to the financial markets. The unprecedented stimulus provided by monetary and fiscal authorities to ease the impact of the Pandemic has, however, heightened the risks of global financial crisis post-Pandemic and calls for central banks across the globe to remain vigilant, should the need for sudden policy adjustments arise.

Domestic Economic Developments

Real Gross Domestic Product (GDP) grew by 0.51 per cent in the first quarter of 2021, compared with 0.11 per cent in the preceding quarter. In the non-oil sector, Agriculture and Industry sub-sectors, were the major drivers of growth, with growth rates of 2.28 and 0.94 per cent, respectively. The oil sector, year-on-year, contracted by -2.21 per cent in first quarter of 2021, compared with -19.76 per cent in the previous quarter. The weak performance in the oil sector was attributed to several factors, including the declining quality of oil infrastructure, lack of new investment in the sector and the need to comply with the OPEC+ production quota.

The Committee noted that the Manufacturing Purchasing Managers' Index (PMI), improved to 46.6 index points in July 2021, compared with 45.5 index points in June 2021. Though it remained below the 50-index point mark, the improvement is an indication of gradual recovery of output growth in the economy. The Non-Manufacturing Purchasing Managers' Index (PMI) also increased to 44.8 index points in July 2021, compared with 43.0 index points in June 2021.

The employment level index for July 2021 stood at 46.5 index points, relative to the preceding month's figure of 45.0, but, remained below the 50.0-index point threshold. The Committee welcomed the sustained monetary and fiscal stimulus to revamp the domestic economy and hoped that the distribution of vaccines to subdue the Pandemic will continue unabated.

The Committee noted the continued moderation in headline inflation (year-on-year) to 17.75 per cent in June 2021 from 17.93 per cent in May 2021, the third consecutive month of decline. The decrease was attributed to a marginal decline in both the food and core components to 21.72 and 13.09 per cent in June 2021 from 22.28 and 13.15 per cent in May 2021, respectively. The MPC noted that, though, headline inflation remained well above the ceiling of the

Central Bank's 6-9 per cent corridor, it expressed optimism that the current interventions by the Bank in various sectors of the economy will further depress inflationary pressure as output growth improves and the negative output gap closes.

On the performance of monetary aggregates, the Committee noted that broad money supply (M3) declined to 2.02 per cent in June 2021, compared with 2.99 per cent in May 2021. This development was largely driven by a slowdown in the growth rate of Net Domestic Assets (NDA) and Net Foreign Assets (NFA). Net Foreign Assets contracted by 3.65 per cent due to the contraction of foreign asset holdings of the central bank, as well as non-interest, primary mortgage, and microfinance banks. The marginal decline in Net Domestic Assets reflected the slowdown in aggregate credit net, which decreased to 4.30 per cent in June 2021, from 4.79 per cent in May 2021.

Accordingly, aggregate credit at end-May 2021 stood at N24.23 trillion, compared with N22.68 trillion at end-December 2020. This represents a year-to-date increase of N1.55 trillion.

Under the Bank's development finance initiatives, the Bank granted ₦756.51 billion to 3,734,938 small holder farmers cultivating 4.6 million hectares of land, of which N120.24 billion was extended for the 2021 Wet Season to 627,051 farmers for 847,484 hectares of land, under the Anchor Borrowers' Programme (ABP); for the Agribusiness/Small and Medium Enterprise Investment Scheme (AGSMEIS), the sum of ₦121.57 billion was disbursed to 32,617 beneficiaries; and for the Targeted Credit Facility (TCF), ₦318.17 billion was released to 679,422 beneficiaries, comprising 572,189 households and 107,233 Small and Medium Scale Enterprises (SMEs).

Under the National Youth Investment Fund (NYIF), the Bank released ₦3.0 billion to 7,057 beneficiaries, of which 4,411 were individuals and 2,646 SMEs. Under the Creative Industry Financing Initiative (CIFI), ₦3.22 billion was disbursed to 356

beneficiaries across movie production, movie distribution, software development, fashion, and IT verticals.

Under the ₦1.0 trillion Real Sector Facility, the Bank released ₦923.41 billion to 251 real sector projects, of which 87 were in light manufacturing, 40 in agro-based industry, 32 in services and 11 in mining. On the ₦100 billion Healthcare Sector Intervention Facility (HSIF), ₦98.41 billion was disbursed for 103 health care projects, of which, 26 are pharmaceuticals and 77 are in the hospital services. Similarly, the sum of ₦232.54 million was disbursed to 5 beneficiaries under the CBN Healthcare Sector Research and Development Intervention (Grant) Scheme (HSRDIS) for the development of testing kits and devices for Covid-19 and Lassa Fever.

On the National Mass Metering Programme (NMMP), ₦36.04 billion was disbursed to 17 Meter Asset Providers, to nine (9) DisCos, for the procurement and installation of 657,562 electricity meters. On the Nigerian Electricity Market Stabilization Facility - 2 (NEMSF-2), the CBN released ₦120.29 billion to 11 DisCos, to provide liquidity support and stimulate critical infrastructure investment needed to improve service delivery and collection efficiency.

On money market development, the net liquidity position and interest rates in the economy reflected the impact of the Bank's liquidity management operations. Accordingly, the monthly weighted average Inter-bank Call and Open Buy Back (OBB) rates rose to 16.87 and 16.39 per cent in June 2021 from 15.95 and 16.18 per cent in May 2021, respectively.

The Committee noted the weak performance of the equities market despite the recent increasing patronage by domestic investors. The All-Share Index (ASI) decreased by 1.28 per cent to 37,947.18 on July 16, 2021, from 38,437.88 on May 31, 2021. Similarly, Market Capitalization (MC) decreased by 1.30 per cent to ₦19.77 trillion on July 16, 2021, from ₦20.03 trillion on May 31, 2021.

The MPC noted that the Capital Adequacy Ratio (CAR) and the Liquidity Ratio (LR) both remained above their prudential limits at 15.5 and 41.3 per cent,

respectively. The Non-Performing Loans ratio (NPLs) at 5.70 per cent in June 2021 showed progressive improvement, compared with 6.4 per cent in June 2020. The Committee, however, urged the Bank to sustain its tight prudential regime to bring Non-Performing Loans (NPLs) below the 5.0 per cent prudential benchmark.

The Committee noted the marginal increase in the external reserves which rose to \$33.83 billion on 22nd July 2021 from US\$32.78 billion as at 30th June 2021.

Outlook

The overall outlook for both the global and domestic economies, remain clouded with downside risks despite the upbeat forecast for a speedy recovery. These risks include lingering uncertainties surrounding the path to the termination of the Pandemic, as new and deadlier strains of the virus continue to pose a significant threat to the efficacy of the COVID-19 vaccines. In addition, the uneven access to the vaccines across the globe is undermining the realization of the current forecast.

Capital flows to emerging market economies, remain uncertain as the pace of price development in the advanced economies pick up. While the US Federal Reserve Bank and other major central banks have given indications that the current rise in inflation is transitory, and may not require policy adjustment, inflation is confronted with a significant upside risk. This may result in an early return to monetary policy normalization, with adverse consequences for financial system stability.

Available data and forecasts for key macroeconomic variables for the Nigerian economy suggest a broad improvement for the rest of the year. This is hinged on continued progress with the containment of the Pandemic, as well as ongoing monetary and fiscal support. As a result, the Nigerian economy is forecast to grow in 2021 by 3.15 per cent (CBN), 3.0 per cent (FGN) and 2.5 per cent (IMF).

The Committee's Considerations

The Committee noted the gradual recovery in output growth following positive growth in the first quarter and improving PMI in subsequent months, expressing confidence that the second quarter output result will show further improvement.

The MPC carefully assessed the options confronting it in the short to medium term, analysing the downside risks to growth and upside risks to inflation. It commended the continued effort by both the monetary and fiscal authorities as well as public health agencies in stemming the Pandemic and its impact, thus, returning the economy to a path of recovery. While the economy has been gradually reopening, Members noted that the Pandemic was far from over and therefore continued to hinder the recovery. It thus, urged the Presidential Task Force on COVID-19 to intensify efforts towards procurement of more vaccines to ensure that herd immunity is achieved in Nigeria.

The MPC was concerned about the broad level of insecurity across the country, noting its impact on business confidence and overall economic activities. It noted the persisting insecurity in key commodity producing areas and urged the Federal Government to intensify security surveillance in farming communities to ensure uninterrupted farming activities. Committee members expressed optimism about the likely moderating impact of the forthcoming harvests on food prices, as this would contribute to the ongoing broad reduction in headline inflation. The CBN will continue to release maize from its strategic maize reserve directly to feed-millers as part of its strategic response to address rising food prices and moderate the price of maize across the country.

Members further noted the contribution of poor infrastructure to rising domestic price levels, re-iterating their call to the Federal Government to prioritize investment in public infrastructure such as improved transportation networks, power supply and telecommunication facilities. Funding for such projects, the

Committee noted, could be sourced through Public-Private-Partnerships, as well as the issuance of diaspora bonds. It emphasized the complementary role these bonds would play to boost foreign exchange supply, improving accretion to reserves and easing the exchange rate pressure.

Notwithstanding, the moderate decline in market indices, the Committee noted that the equities market remained in a good place, indicating sustained investor confidence in the Nigerian economy.

The MPC applauded the continued resilience of the banking system in the face of severe shocks to both the domestic and global economies. Members noted Management's effort in maintaining a reasonably low level of non-performing loans ratio, even though aggregate credit moderated slightly. The Committee encourages Nigerian banks to extend more credit to consumers and firms to enhance consumption and production activities necessary to strengthen the recovery.

Committee members noted the persistent reduction in remittance of oil revenue to the Consolidated Revenue Fund, stemming largely from rising levels of cost under-recovery and other obligations, particularly to Joint Venture Contracts. The Committee thus, urged the Government to continue to explore additional sources of non-oil revenue, as this would reduce the over dependence on a single revenue source.

Members applauded the efforts by the Federal Government to encourage the use of gas in motor vehicles and the payment for conversion of 1 million Premium Motor Spirit (PMS)-driven vehicles to gas-driven, to reduce overall cost of PMS consumption. The Committee encouraged the participation of private sector initiatives to develop and expand modular refineries while it frowns at cross-border smuggling of PMS.

The Committee also noted the increased contribution of the non-oil sector to Government revenue in recent times which reflected the gradual diversification

of the economy and reduce reliance on crude oil export proceeds and called for increased support for the non-oil sector in the country.

Overall, Members were confident that the Bank was taking the right steps toward the restoration of macroeconomic stability, while noting the downside risks to growth and the upside risks to price developments.

The Committee's Decision

At this meeting, the MPC was delighted that inflation had begun to trend downwards, while output growth had remained positive. Committee, however, was of the opinion that there was a need to continue to put in place policy measures that will further and faster drive down inflation, while at the same time accelerate output growth to levels above population growth rate. Whereas, the arsenal at its disposal had almost become fully exhausted, MPC believe that there is the need to continue to use those tools that had been adopted so far, even in a more aggressive manner. MPC, therefore, encourage the Bank to continue using its existing administrative methods to rein-in inflation by the use of its discretionary CRR policy to mop-up liquidity from the banking system as the need arises.

The Committee also encouraged the Bank to continue the use of its intervention mechanism to deploy funds to output-stimulating and employment-generating sectors of the economy, such as, the Targeted Credit Facility, AGSMEIS, Agriculture and Manufacturing.

In the Committee's view, the current situation, neither gives room for tightening, as this will hurt output growth, nor, loosening, as this will exacerbate inflationary pressures.

On tightening, MPC feels that whereas this will limit excess liquidity available to attack the foreign exchange market, it nevertheless feels that tightening will reduce money supply and thus, inhibits the ability of Deposit Money Banks (DMBs) to create credit that is needed to stimulate manufacturing output which could also help to moderate prices.

On loosening, whereas MPC feels this should transmit into lower market interest rates which could improve the ability of obligors to repay their loans and reduce NPLs, it nevertheless feels loosening would not only exacerbate inflationary pressure, but this would increase negative real rate of return and discourage investments in the domestic economy.

Based on the above considerations, the MPC made the decision to hold all policy parameters constant; believing that a hold stance will enable the continued permeation of current policy measures in supporting the recorded growth recovery and macro-economic stability.

The Committee thus decided by a unanimous vote to retain the Monetary Policy Rate (MPR) at 11.5 per cent.

In summary, the MPC voted to:

- I. Retain the MPR at 11.5 per cent;
- II. Retain the asymmetric corridor of +100/-700 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

27th July 2021



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 136 OF THE MONETARY POLICY COMMITTEE MEETING HELD ON MONDAY 24th AND TUESDAY 25th MAY 2021

The Monetary Policy Committee (MPC) met on the 24th and 25th of May 2021 as the global economy gradually emerges from the six-quarter long COVID-19 pandemic with lingering uncertainties. The recovery is on account of widespread vaccinations, easing of restrictions, reopening of economies and gradual return to international travels. India and Brazil however continue to battle high levels of infections and fatalities resulting from mutating strains of the virus. In the domestic environment, the economy is expected to remain on the current trajectory of recovery in 2021, mirroring the cautious optimistic trend in global output recovery. The Committee reviewed the developments in the global and domestic economic and financial environments in the second quarter of 2021 and the outlook for the rest of the year.

Ten (10) members of the Committee were present at this meeting.

Global Economic Developments

The Committee noted that while the vaccination against COVID-19 is drastically reducing fatalities across several economies, the recovery remains uneven and is tilted against developing economies compared with the developed economies with better access to vaccines. Other emerging markets economies with strong manufacturing capabilities like China are also on the verge of full recovery.

Accordingly, the International Monetary Fund (IMF) revised global output growth for 2021 to 6.0 per cent. This represents an upward revision of 0.5 percentage point, compared with the earlier projection of 5.5 per cent. The projection is, however, dependent on the efficient deployment of COVID-19 vaccines and sustained policy support across economies to strengthen the recovery of global output growth.

Prices, however, are expected to rise globally due to the massive monetary and fiscal injections in several countries

to mitigate the impact of the Pandemic. The MPC noted the gradual recovery of prices, especially amongst some developed economies as inflation continued a steady movement towards the long-term objective of their central banks. It is expected that inflation may breach the long-term objective of several central banks in the medium-term, as economic activities continue to recover with more people being vaccinated. In several Emerging Market and Developing Economies (EMDEs), inflation has remained relatively high, with some economies confronted with significantly higher inflationary pressures than others, because of legacy structural issues, capital flow reversals and unabating exchange rate pressures.

The prevailing conditions in the global financial markets remained relatively stable, as central banks sustain monetary accommodation. There are, however, growing indications that monetary policy normalization may commence amongst some key central banks by the fourth quarter of 2021. The timing and pace of this normalization must, however, be carefully managed to mitigate the risk of a financial crisis post-Pandemic.

Domestic Economic Developments

Available output data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) grew by 0.51 per cent in the first quarter of 2021, compared with 0.11 and -3.62 per cent in Q4 2020 and Q3 2020, respectively. Real GDP was driven largely by the non-oil sector, which grew by 0.79 per cent in Q1 2021 compared with 1.69 and -2.51 per cent in Q4 2020 and Q3 2020, respectively. The major drivers of the non-oil GDP were Agriculture and Industry with sectoral growth rates of 2.28 and 3.05 per cent, respectively in Q1 2021. Whereas Agriculture declined by 1.14 percentage points from 3.42 per cent in Q4 2020, Industry, supported by growth in Manufacturing and Construction, grew by 3.30 percentage points from -0.25 per cent in Q4 2020. The sectoral contribution of Services to GDP, however, contracted from 1.31 per cent in Q4 2020 to -0.39 per cent in Q1 2021. The oil sector, contracted by -2.21 per cent in Q1 2021, from -19.76 and -13.89 per cent recorded in Q4 2020 and Q3 2020, respectively. The weak performance in the oil sector is largely attributable to the decline in production, in compliance with the OPEC+ production cut agreement.

The Committee noted the marginal growth in the Manufacturing Purchasing Managers' Index (PMI) to 49.0 index points in April 2021 from 48.8 index points in March 2021. This increase is a lead indicator of recovery of output growth following the easing of restrictions to curtail the spread of the Pandemic. The Non-manufacturing PMI, however, declined marginally to 47.3 index points in April 2021, compared with 47.9 index points in March 2021.

The employment level component of the manufacturing and non-manufacturing PMIs rose moderately in April 2021 to 46.5 and 48.2 index points from 45.9 and 47.7 index points in March 2021, respectively.

The Committee noted the moderate decline in headline inflation (year-on-year) to 18.12 per cent in April 2021 from 18.17 per cent in March 2021, following nineteen consecutive months of continuous rise. The decrease was driven by a marginal slowdown in food inflation to 22.72 per cent in April 2021 from 22.95 per cent in the previous month. This was partly attributed to the Bank's massive interventions in various sectors of the economy to stimulate

aggregate demand and boost production, particularly for Small and Medium Scale Enterprises. The MPC, however, noted that headline inflation remained well above the ceiling of the Bank's 6-9 per cent inflation corridor as a result of a combination of factors, including: the heightened security tensions in the country and deteriorating public infrastructure. As a result, the Bank expressed its support to the Federal Government's commitment to tackle insecurity as this will improve the business environment and encourage economic activities to reduce inflation.

The MPC was also mindful of the impact of exchange rate pressures resulting from capital flow reversals associated with the COVID-19 shock, as investors sought for safe havens. It, however, applauded extant measures by the Bank in ensuring both liquidity and stability in the Foreign Exchange market as well as moderating the exchange rate pass-through to inflation.

On the performance of monetary aggregates, the Committee noted that broad money supply (M3) grew by 1.15 per cent in April 2021, compared with 0.04 per cent in

March 2021. This development was largely driven by growth in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) contracted. The growth in Net Domestic Assets reflects the growth in aggregate credit supported by the ongoing broad based monetary and fiscal stimulus. Accordingly, gross banking sector credit at end-March 2021 stood at N23.53 trillion compared with N22.68 trillion at end-December 2020. This represents an increase of N0.85 trillion (year-to-date), of which commercial & merchant banks disbursed (N0.66 trillion), microfinance banks (N0.13 trillion), development finance institutions (N0.05 trillion), and primary mortgage banks and finance companies (N0.01 trillion).

The liquidity condition in the banking system in the review period was determined by several factors including; fiscal disbursements and withdrawals by states and local governments, periodic CRR debits, foreign exchange interventions, Open Market Operations, and maturing CBN bills, the net effect of which imposed liquidity constraints on the banking system.

The Committee noted the moderate decline in the equities market (year to date) as the All-Share Index (ASI) decreased by 1.97 per cent to 38,287.58 on May 24, 2021 from 39,045.13 on March 30, 2021. Similarly, Market Capitalization (MC) decreased by 4.30 per cent to N19.96 trillion on May 24, 2021 from N20.82 trillion on February 26, 2021.

The MPC noted that the Capital Adequacy Ratio (CAR) and the Liquidity Ratio (LR) both remained above their prudential limits at 15.8 and 38.9 per cent, respectively. The Non-Performing Loans (NPLs) at 5.89 per cent in April 2021, showed progressive improvement compared with 6.6 per cent in April 2020. The MPC, however, urged the Bank to sustain its tight prudential regime to further reduce the level of Non-Performing Loans in the industry.

The Committee noted the external reserves declined marginally to US\$34.17 billion as at May 21, 2021, from US\$34.29 billion as at end-April 2021. This reflects sales to the foreign exchange market and third-party payments.

Outlook

The optimism for medium-term macroeconomic recovery in both the global and domestic economies is slow, but steadily growing, even as some level of uncertainty are still present. This is due to the unabating COVID-19 pandemic in some countries such as India and Brazil caused by mutation of the virus into more fatal strains. In addition, the recovery is uneven and seem to be more tilted towards countries that have high vaccination rate than those less vaccinated or that are still suffering from the effects of more fatal strain of COVID-19 disease. As conditions improve however, central banks of Advanced Economies are beginning to signal the possible shift to monetary policy normalization by the fourth quarter of 2021.

Available data and forecasts for key macroeconomic variables for the Nigerian economy, suggest that output growth will continue to recover for the rest of 2021. This is premised on the continued support for agriculture to improve food supply, reduce inflation and improve employment. Others include efforts of both the monetary and fiscal authorities to improve infrastructure challenges in the country. The forecast for the Nigerian economy for

2021 is, thus, strong domestic push to support recovery particularly to ensure an end to insecurity in the country.

Consequently, as the productive capacity of the economy improves and the supply chain fully restored, we expect inflationary pressure to ease further, as the supply of goods and services offset demand.

The Committee's Considerations

At this meeting, the MPC recognized that the twin problems confronting the Nigerian Economy that must be addressed relates to stagflation, reflected in rising inflation with simultaneous contraction in output.

Committee further recognized that the strategies put in place to rein in inflation through the use of series of administrative measures by the Bank to control money supply through liquidity mop up in the banking industry had started to yield results. It also recognized that measures put in place to stimulate output growth through the use of its intervention facilities to inject liquidity into employment generating and output stimulating initiatives like the Anchor Borrower Program, Targeted Credit Facility and

Agri-Business Small and Medium Enterprise Investment Scheme (AGSMEIS) had started to yield results.

In the view of the MPC, although the economy had successfully exited the recession, the recovery was very fragile given that the GDP of 0.51 per cent was still far below population growth rate. Committee therefore was of the view that, there is a strong need for the Monetary Authorities to consolidate on all administrative measures taken not only to rein in inflation, but also on the actions so far taken to grow output.

In the Committee's view, such measures should include boosting consumption and investments, as well as diversifying the base of the economy through FX restrictions for the importation of goods and food products that can be produced in Nigeria. It also urged the Bank to continue to put in place measures that will boost export earnings. On consumption and investment, MPC noted that the intervention facilities under the Anchor Borrowers was N631.4 billion granted to 3,107,949 small holder farmers cultivating 3.8 million of land hectares; for the AGSMEIS, N111.7 billion to 29,026 beneficiaries; and for the Targeted

Credit Facility, N253.4 billion to 548,345 beneficiaries - comprising 470,969 households and 77,376 SMEs.

Notwithstanding that all these have helped in boosting output, the Bank should continue to aggressively increase its interventions in these subsectors, including agricultural processing and manufacturing. Under the National Youth Investment Fund, N2.04 billion was disbursed to 7,057 beneficiaries, of which 4,411 were individuals and 2,646 were SMEs. Under the Creative Industry Financing Initiative, the CBN has disbursed N3.19 billion to 341 beneficiaries across movie production, movie distribution, music and software development.

Under the N1 trillion Real Sector Intervention, N856.3 billion had been disbursed for 233 real sector projects, of which 77 are in light manufacturing, 36 in agro-based industry, 30 in services and 11 in mining. Under the N100 billion Healthcare Support Intervention fund, N97.4 billion has been disbursed for 91 health care projects, of which 26 are pharmaceutical and 65 hospital services. Also, N232.5 million has been disbursed to 5 beneficiaries under the CBN Health Care Grant for Research on Covid-19 and Lassa Fever. Under the National Mass Metering program, N35.9

billion has been disbursed to 9 DisCos for the acquisition of 656,752 electricity meters. Under the Nigerian Electricity Stabilization Facility 2 (NEMSF-2), N93.8 billion has also been disbursed to 11 DisCos.

The Committee members applauded Government's efforts in combating the headwinds imposed by the Pandemic and urged that going forward, Government should avoid an entire nationwide lockdown like was experienced in 2020, as this will reverse the wholesome gains jointly achieved between the Government and the Central Bank in response to the outbreak of the Pandemic.

The MPC carefully assessed the options on direction of policy in the short to medium term. It re-appraised current measures by the Government to purchase COVID-19 vaccines and the general preparedness of relevant public health agencies to guard against the spread of the mutating strains of the virus. To this end, the Committee noted the appropriate steps taken by the Government to ensure that up to 70 per cent of the populace get vaccinated to drastically drive down the infection rate in the country and hence, sustain economic activities.

The Committee noted the persisting security crisis, especially in major food producing regions of the country and the severe toll on food supply and prices. It noted that inflation had moderated marginally due to the unrelenting effort of the Bank in supporting agriculture to boost food supply and prices. The Committee, thus, re-iterated its call to the Government to intensify effort towards addressing the security situation in the country to ease supply bottlenecks and bring down food prices. The MPC further noted Government's commitment towards investing in public infrastructure despite constrained fiscal position and urged a continued focus on this objective, while exploring the option of effective partnership with the private sector, as improved road networks, telecommunications and power supply will greatly and proactively impact the supply chain and moderate price increments. It further noted the need for collaboration with Nigeria's huge diaspora, through the issuance of diaspora bonds targeted at specific infrastructure projects. Even as the Committee noted that the public debt stock was currently high, it was of the view that project specific diaspora bond issues could conveniently pay itself back without imposing a burden on

Government finances. It noted the complementary role this would play in boosting foreign exchange supply, accretion to reserves and easing of the current exchange rate pressure.

The Committee noted that the equities market remained stable, an indication of investor confidence in the Nigerian economy in the medium-term. The MPC thus urged the Bank to maintain its collaboration with the fiscal authority to improve the investment climate towards attracting sustainable Foreign Direct Investment (FDI).

With the developments in the Banking system, the Committee applauded the efforts of the CBN in ensuring a reasonably low level and steady reduction in Non-Performing Loans (NPLs), even as aggregate credit continued to expand through the crisis period. While NPLs remained marginally above the Bank's regulatory threshold, members noted that it was in line with the current state of macroeconomic imbalances occasioned by the Pandemic.

The Committee's Decision

The recent developments in the domestic economy presented two broad options to the MPC, which were to either aggressively address the high inflationary pressure or continue to pursue measures aimed at supporting the recovery.

Whereas the Committee remained overwhelmingly committed to supporting the efforts of the Federal Government in ensuring full restoration of the productive capacity of the economy, members remained much more focused towards achieving price stability in the short to medium-term. The MPC noted that economic growth could be hampered in an environment of unstable prices. To this end, the choice therefore was between loosening the stance of policy to ease credit further or tighten to moderate price development or maintain a hold stance in order to allow previous policy measures continue to permeate the economy while observing global and domestic developments.

The Committee noted that an expansionary stance of policy could transmit to reduced pricing of the loan portfolios of Deposit Money Banks and result, therefore, in

cheaper credit to the real sector of the economy. On the converse, this expected transmission may be constrained by persisting security challenges and infrastructural deficits.

On the other hand, while a contractionary stance will only address the monetary component of price development, supply side constraints such as the security crisis and infrastructural deficits can only be addressed by policies outside the purview of the Central Bank. A tight stance in the view of members, will also hamper the Bank's objectives of providing low cost credit to households, Micro Small and Medium Enterprises (MSMEs), Agriculture, and other output growth and employment stimulating sectors of the economy.

Based on the above considerations, the MPC made the decision to hold all policy parameters constant.

The Committee thus decided by a unanimous vote to retain the Monetary Policy Rate (MPR).

In summary, the MPC voted to:

- I. Retain the MPR at 11.5 per cent;
- II. Retain the asymmetric corridor of +100/-700 basis points around the MPR;

- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

25th May 2021



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 135 OF THE MONETARY POLICY COMMITTEE MEETING HELD ON MONDAY 22ND AND TUESDAY 23RD MARCH 2021

The Monetary Policy Committee (MPC) met on the 22nd and 23rd of March 2021 confronted with downside risks to the optimism for significant improvement in global output recovery in 2021. The risks stem largely from the uncertainty surrounding the efficacy of the COVID-19 vaccines in surmounting the new variants of the novel coronavirus, as well as speedy deployment of the vaccines across the globe. In the domestic economy, the exit from recession in the fourth quarter of 2020 brought about a renewed hope for full recovery in 2021, notwithstanding the obvious downside risks to the entire global economy. The Committee appraised the developments in both the global and domestic economic and financial environments in the first quarter of 2021 and the outlook for the rest of the year.

Nine (9) members of the Committee were in attendance.

Global Economic Developments

The Committee noted that while vaccination against COVID-19 had gained significant grounds in major advanced economies, some emerging market and developing economies were yet to commence any form of vaccination. This development portends an uneven recovery to global growth, as barriers to trade and the global supply chain are likely to remain in place much longer than anticipated to prevent re-infection in countries that have achieved significant vaccination and some form of herd immunity. The growing concerns associated with the efficacy of these vaccines, especially in the face of new variants of the virus, however, poses a significant threat to the overall recovery of the global economy. The broad direction of the expected rebound in global

output recovery, therefore, varies across countries depending on the headwinds confronting individual economies.

Consequently, the International Monetary Fund (IMF) projects a growth rate of 4.3 per cent for the advanced economies and 6.3 per cent for the emerging and developing economies, with a global growth rate of 5.5 per cent in 2021. The downside risks to this projection are associated with concerns that the existing vaccines being deployed may not effectively subdue the new and existing variants of the virus and thus, restrictions may remain in place which may hamper the speed of the expected recovery globally.

Price developments across major advanced economies remain subdued alongside the expectation that output gaps will remain negative into the medium term. In the Emerging Market and Developing Economies (EMDEs), price development was, on average, mixed, with some economies recording inflation rates that were significantly higher than those seen in the Advanced Economies. This was mostly due to continued capital outflows, poor accretion to reserves and exchange rate depreciation, which has a pass-through effect to domestic prices.

In the global financial markets, conditions remain relatively stable, as central banks continue to maintain expansionary monetary policy and sizeable stimulus packages. The huge level of monetary and fiscal injections may heighten the risk of financial instability, especially when central banks commence adjustment of policy rates.

Domestic Economic Developments

Real Gross Domestic Product (GDP), according to the National Bureau of Statistics (NBS), recorded a growth rate of 0.11 per cent (year-on-year) in the fourth quarter of 2020, in contrast to -3.62 per cent in Q3 2020 and 2.55 per cent in the corresponding period of 2019. The Q4 2020 performance, was a sharp rebound in contrast to the two previous quarters of negative growth (-3.62 per

cent in the third quarter and -6.10 per cent in the second quarter). The improved performance was driven by the non-oil sector, which grew by 1.69 per cent in Q4 2020 from -2.51 and -6.05 per cent in Q3 and Q2 2020, respectively. The major drivers were Quarrying and Other Minerals, which grew by 48.42 per cent and the ICT subsector, which grew by 17.64 per cent. The oil sector, however, contracted further by -19.76 per cent in Q4 2020, from -13.89 and -6.63 per cent in Q3 and Q2 2020, respectively. This was attributed largely to the decrease in oil production in compliance with the OPEC+ production cut agreement.

The Committee noted the moderation in the Manufacturing, and Non-manufacturing Purchasing Managers' Indices (PMI), which, however, remained below the 50 index points in February 2021, but improved to 48.70 index points apiece, compared with 44.9 and 43.3 index points, respectively, in January 2021. The GDP growth in the fourth quarter of 2020 and expected recovery in Q1 2021, were signposted by this observed improvement in the PMIs.

The employment level index component of the manufacturing and non-manufacturing PMIs also improved moderately in February 2021 to 45.6 and 48.0 index points, compared with 44.2 and 45.0 index points, respectively, in the previous month. The Committee, however, expressed some optimism that the legacy growth headwinds, attributed largely to the resurgence in infection rate of COVID-19 pandemic, may likely recede in the short-to-medium term, as the successful deployment of the COVID-19 vaccines and the various stimulus packages to revamp the domestic economy are sustained.

The Committee noted with concerns the continued uptick in inflationary pressure for the eighteenth-consecutive month, as headline inflation (year-on-year) continued on an upward trend, to 17.33 per cent at end-February 2021 from 16.47 per cent in January 2021. This increase continued to be attributed to the increase in both the food and core components of inflation which rose

to 21.79 and 12.38 per cent in February 2021, respectively, from 20.57 and 11.85 per cent in January 2021. This persisting uptick in food inflation, however, was the major driving factor to the uptick in headline inflation. This was due to the worsening security situation in many parts of the country, particularly, the food producing areas, where farmers face frequent attacks by herdsmen and bandits in their farms. While the Bank is intervening significantly in the agricultural sector, the rising insecurity in some food producing areas, is limiting the expected outcomes in terms of supply to the market, thus contributing to the rise in food prices. The Committee further noted that the key drivers of the increase in core inflation included, the hike in the price of Premium Motor Spirit (PMS), upward adjustment in electricity tariffs and the depreciation of the domestic currency (naira).

The Committee observed that broad money supply (M3) grew marginally by 0.30 per cent in February 2021, following a substantial growth of 13.54 per cent in December 2020. This was driven largely by the contraction in Net Foreign Assets (NFA). The Committee also noted that Net Domestic Assets (NDA) grew by 3.02 per cent in February 2021, from 2.22 per cent in December 2020.

Provisional data showed that banking system credit to the economy increased by 1.75 per cent to N43.67 trillion in February 2021 from N42.92 trillion in January 2021, reflecting the ongoing broad-based monetary and fiscal stimulus to various sectors of the economy. The Committee thus, enjoined the Bank to maintain its current drive to improve access to credit to the private sector, while exploring other initiatives with the fiscal authorities to improve funding to critical sectors of the economy.

Conscious of the persisting inflationary pressure fuelled largely by continued uptick in food prices, the Committee noted the Bank's interventions to boost food production particularly through its various Agricultural programmes. Other complementary measures included, increase in disbursement for the dry season agricultural programme to increase output, the adoption of high yield seeds to improve productivity and the adoption of harvested produce as a

means of loan repayment, which has stemmed hoarding and the activities of middlemen and rent seekers. The establishment of the strategic grain reserves for staple crops has also helped in addressing seasonality of agricultural commodities.

In terms of funding, the Committee noted that the Bank has disbursed funds under its various agricultural interventions towards improving food supply in Nigeria. The Committee noted the disbursement of ₦107.60 billion to 548,109 farmers cultivating 703,619 hectares of land between Q4 2020 and Q1 2021 to boost dry season output in support of agricultural value chain development. Total disbursements as at end-February 2021 amounted to ₦1.487 trillion under the various agricultural programmes, of which ₦686.59 billion was disbursed under the Commercial Agricultural Credit Scheme (CACCS) and ₦601.75 billion under the Anchor Borrowers Programmes (ABP) to 3,038,649 farmers to support food supply and dampen inflationary pressures.

Under the Targeted Credit Facility, the Bank has disbursed ₦218.16 billion to 475,376 beneficiaries, of which 34 per cent of beneficiaries are SMEs. Under AGSMEIS, ₦111.62 billion has been disbursed to 28,961 beneficiaries, 70 percent of which are in the agricultural sector. Under the Creative Industry Financing Initiatives mainly targeted at youths, ₦3.19 billion has been disbursed to 341 beneficiaries, of which 53 percent is to the movie industry.

Under the National Mass Metering Programme, ₦33.45 billion has been disbursed to 9 distribution companies for the procurement of 605,852 meters, while ₦89.89 billion has been disbursed under the Nigeria Electricity Market Stabilisation Facility (NEMSF 2) to 11 distribution companies to improve the electricity supply industry in Nigeria.

Under the ₦100 billion Health Care intervention Fund, the Bank has disbursed ₦94.34 billion, and is willing to expand the facility, to 85 projects in the pharmaceutical industry, hospitals and State governments for both brown field and green field projects, mostly to expand pharmaceutical drug lines, acquire

MRI and other equipment and upgrade laboratories and other hospital services.

Under the N1.0 trillion Manufacturing Intervention Stimulus, the total of N803.36 billion has been disbursed to 228 projects across various sectors in agro-allied, mining, steel production and packaging industries, amongst others.

The monthly weighted average Inter-bank call and Open Buy Back (OBB) rates fell to 1.80 and 1.50 per cent in February 2021 from 3.50 and 2.30 per cent in January 2020, respectively, reflecting the continued liquidity surfeit in the banking system.

The Committee noted the weak performance in the equities market despite the recent increased patronage by domestic investors. The All-Share Index (ASI) and Market Capitalization (MC) continued to decline due to portfolio switching from equities to fixed income securities, reflecting the perception of improved yields at the long end of the yield curve.

All-Share Index (ASI) decreased by 1.17 per cent to 39,799.89 points on February 26, 2021 from 40,270.72 on December 31, 2020. Similarly, Market Capitalization (MC) fell by 1.11 per cent to N20.82 trillion on February 26, 2021 from N21.06 trillion on December 31, 2020. This was attributed largely to investor sell-off, which continued to cause price depreciation of large and medium capitalized stocks.

The MPC noted the performance of the Financial Soundness Indicators (FSIs) of the DMBs which showed a Capital Adequacy Ratio (CAR) of 15.2 per cent, Non-Performing Loans (NPL) ratio of 6.3 per cent and Liquidity Ratio (LR) of 40.5 per cent, as at February 2020. On non-performing loans (NPLs), the MPC noted that the ratio remained above the prudential benchmark of 5.0 per cent and urged the Bank to sustain its regulatory measures to bring it below the prudential benchmark.

The Committee noted with satisfaction the improvement in the level of external reserves, which stood at US\$36.46 billion at end-February 2021, compared with

US\$34.94 billion at end-January 2021. This reflects the recent upsurge in crude oil prices on the backdrop of the renewed optimism on the successful deployment of COVID-19 vaccines across the globe.

Outlook

The medium-term outlook for both the domestic and global economies indicates cautious optimism. This is premised on the expectation of sustained policy support and successful deployment of the COVID-19 vaccines around the globe and its effectiveness in ensuring herd immunity.

Available data and forecasts for key macroeconomic variables for the Nigerian economy suggest further rebound in output growth for the rest of 2021. This is predicated on the sustained, as well as additional interventions by the monetary and fiscal authorities to keep up the recovery momentum in the economy, favourable upsurge in crude oil prices, foreign exchange market stability and successful deployment of the new COVID-19 vaccines that could further stimulate economic activities and ultimately boost output growth. Given the potential rebound in output growth, bolstered by the resumption of economic activities post COVID-19, inflationary pressure in the economy is projected to moderate in short-to-medium term. The underlying risks of the efficacy of the COVID-19 vaccines against known and newly emerging strains of the virus, the uncertainty that the existing vaccines could lead to herd immunity and unequal access to COVID-19 vaccine, however, are some of the headwinds that could undermine this forecast.

The Committee's Considerations

The Committee noted the moderate recovery in output growth in the fourth quarter of 2020, associated mainly to the positive impacts of the several monetary and fiscal measures implemented to reflate the economy, following the negative consequences of the Covid-19 pandemic. This, in the Committee's consideration, provides an opportunity for further consolidation as most projections suggest substantial recovery in several economies across

the globe. However, the Committee was not oblivious of the downside risks to the broad outlook for recovery in 2021, as efforts to achieve herd immunity continued to face significant headwinds.

The Committee welcomed the current efforts by the government and other support agencies in procuring vaccines and thus, urged the quick and efficient deployment of the vaccines to support ongoing monetary and fiscal stimulus towards full recovery of the economy in 2021 and into 2022.

Members expressed concerns about the unabated rising trend of domestic prices and re-emphasized the exigency for monetary and fiscal policy collaboration to finance productive ventures, improve aggregate supply and push down prices.

The MPC reiterated its concerns on the activities of persons and groups causing security challenges in the food producing areas of the country, as this has contributed to the major uptick in food prices across the country. The Committee, thus called for a collaborative and coordinated efforts by all the relevant agencies and stakeholders towards addressing the prevailing insecurity issues and social challenges. The Committee also called on the government to explore the option of effective partnership with the private sector to improve funding sources necessary to address the huge infrastructural financing deficit.

Considering the foregoing, the MPC noted that fiscal headroom remained constrained and fragile, following the twin shocks of the pandemic and oil price volatility and the continued build-up of public debt.

The MPC noted the Bank's innovative efforts towards maintaining exchange rate stability. It also impressed on the Management to remain focused on its drive to increase accretion to reserves, especially in its recent incentives to attract diaspora remittances into the country.

The Committee welcomed the relative strengthening of the money market compared from its position at the end of the lockdown. Mindful of the risks

confronting the economy, it emphasised the need for the fiscal authority to improve the investment climate towards attracting sustainable Foreign Direct Investment (FDI).

The Committee commended the Bank for maintaining a robust regulatory environment despite these challenging times by ensuring that non-performing loans (NPL) ratio is driven down to prudential level, even as aggregate credit continue to grow in a market confronted with relative uncertainties.

In summary, the MPC noted the overarching need to address the twin major challenges of taming the rising inflation and sustaining growth recovery in the economy, while focusing on the downside risks associated with the injections.

The Committee's Decision

At this meeting, the dilemma that confronted the MPC relates to whether to continue to focus on efforts to stimulate outputs or whether to focus on reining in inflation, which (at 17.33 per cent) is almost attaining the January 2017 inflation level of 18.72 per cent. MPC was also worried that the level of unemployment must be addressed swiftly to moderate the restiveness among the populace. Again, members were generally of the view that given that the exit from recession is fragile, any decision to tighten or rein-in inflation, may reverse the fragile recovery and return the economy into recession.

In the light of the foregoing, the consensus among MPC members was that, given that inflation is substantially a supply side phenomenon, there is need to continue to focus on consolidation of the recovery process, by taking those actions that would continue to stimulate output growth, create employment, but at the same time have an eye on effort to moderate the inflationary pressure; using the current administrative measures being adopted by the Bank in controlling monetary aggregates in the banking system.

In its consideration of whether to tighten, hold or loosen, therefore, the Committee felt that with inflation at a 3-year high and price stability being the Bank's core mandate, a contractionary policy stance may be required to

tame the rising trend. It nevertheless feels that tightening will hike the cost of capital and hamper investments required to create employment and continue to boost recovery.

On the other hand, MPC thinks that whereas loosening would lower rate and improve access to credit which will drive investment, reduce unemployment and stimulate aggregate demand, it feels that loosening will create excess liquidity, which will intensify demand pressure on the foreign exchange market, thereby leading to further depreciation in the currency.

It, therefore, feels that a hold position which encourages Management to continue to use its various intervention mechanisms to deploy liquidity into employment generation and output stimulating sectors of the economy would be desirable as this would help consolidate the country's recovery process.

The Committee, therefore, decided by a vote of 3 members to increase MPR by 50, 75 and 50 basis points respectively, and 6 members voted to hold all parameters constant.

In summary, the MPC voted to:

- I. Retain the MPR at 11.5 per cent;
- II. Retain the asymmetric corridor of +100/-700 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

23rd March 2021



**CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 134 OF THE
MONETARY POLICY COMMITTEE MEETING HELD ON MONDAY 25th
AND TUESDAY 26th JANUARY 2021**

The Monetary Policy Committee (MPC) held its first statutory meeting for the year 2021 on the 25th and 26th January on the backdrop of dampened optimism for improvement in global output recovery, associated with the resurgence of the COVID-19 pandemic and mild success with vaccinations across several countries. On the domestic front, recovery is expected to progress reasonably, following the mild contraction recorded during the third quarter of 2020 and with fourth quarter output growth figures expected to show further improvement. The Committee reviewed the developments in the global and domestic economic and financial environments in 2020 and the outlook for 2021 as well as the risks to this outlook.

Ten (10) members of the Committee were in attendance.

Global Economic Developments

The Committee noted a better-than-expected recovery in most economies towards the end of 2020, leading to moderation in the

contraction of global output. It, however, observed that the rapid spread of the new variant of the Coronavirus, seemingly associated spike in fatalities and the recent re-introduction of containment measures across several economies, may dampen the recovery in 2021. In the Advanced Economies, headwinds largely associated with the COVID-19 pandemic such as vaccination-related challenges, weak aggregate demand associated with less than full employment in labour markets, partially functioning supply chain networks, the rapid spread of the new variant of the Coronavirus and a high infection rate dampened the initial rebound in economic recovery towards the end of 2020.

Output growth in the Emerging Market and Developing Economies (EMDEs) remained uneven across countries. In China, output slowed marginally in the third and fourth quarters of 2020, following a faster-than-expected rebound in the second quarter of 2020. Following the lull in the second quarter, India's economy grew sharply in the third quarter, reflecting welcome adjustment to the stimulus measures. Accordingly, the International Monetary Fund (IMF) estimated global growth in 2020 as a contraction of 4.4 per cent and forecast growth in 2021 to improve to 5.2 per cent. This forecast is however, hinged on the successful vaccination of a significant number of people to create the much-desired herd immunity.

On price developments, the MPC noted that inflation, in most Advanced Economies, is likely to remain subdued in the short to medium term as the recent rise in COVID-19 infection and mortality

rates have resulted in sub-optimal employment and weakened labour markets, which dampened aggregate demand across these economies. In the EMDEs, however, inflation remains relatively high compared with the Advanced Economies, with some economies confronted with stronger upside risks than others, as a result of weak accretion to reserves, persisting exchange rate pressures, poor inflow of capital as well as longstanding structural issues.

The MPC noted the steady build-up of systemic liquidity across the global economy, arising from the support by fiscal authorities and central banks to bolster the recovery and return confidence to the financial markets. It noted that the response to the pandemic has heightened the risk of debt accumulation, raising concerns of debt sustainability and vulnerability of the global economy to financial crisis once central banks commence normalization of monetary policy.

Domestic Economic Developments

Real Gross Domestic Product (GDP), according to the National Bureau of Statistics (NBS), contracted by 3.62 per cent in Q3 2020, compared with 6.10 per cent in Q2 2020 and a growth of 2.28 per cent in the corresponding period of 2019. The real GDP contraction in Q3 2020 was largely driven by the decline of 13.89 per cent in the oil sector from 6.63 per cent in Q2 2020. The non-oil sector also contracted by 2.51 per cent in Q3 2020, compared with 6.05 per cent in Q2 2020. The weak performance observed in both the oil

and non-oil sectors was largely attributed to the lag effects of the lockdown, persisting weak global demand for crude oil and security challenges across the country.

The MPC noted with concern the continuing sluggish recovery in the Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMIs), which remained below the 50-index point benchmark in December 2020, at 49.6 and 45.7 index points, respectively, compared with 50.2 and 47.6 index points during the previous month. This weak performance was attributed to the resurgence of the pandemic, foreign exchange pressures, increased costs of production, general increase in prices and decline in economic activities. Similar trend was also observed in the employment level index component of the manufacturing and non-manufacturing PMIs, which contracted for the ninth consecutive month in December 2020 to 46.3 and 45.1 index points, respectively, compared with 50.2 and 46.7 index points in the previous month. The Committee, however, noted that current growth headwinds would likely moderate in the short to medium term, as the containment measures and the sustained implementation of economic stimulus permeate the domestic economy.

The Committee expressed concerns on the persisting uptick in inflationary pressure for the sixteenth consecutive month, with headline year-on-year inflation moving further to 15.75 per cent in December 2020 from 14.89 per cent in November 2020. This uptick

was attributed to the increase in both the food and core components of inflation, which rose to 19.56 and 11.37 per cent in December 2020, respectively, from 18.30 and 11.01 per cent in November 2020. This continued upsurge in food inflation was attributed to the logistical bottlenecks, spurred by the increasing security challenges in many parts of the country, which disrupted food production and supply to the market. Other factors driving the core inflation, include the recent deregulation of the downstream sector of the oil industry, which led to hikes in the price of Premium Motor Spirit (PMS) and the upward adjustment in electricity tariff.

The Committee, however, noted that as output rebounds, supported by the suites of stimulus packages by both the Federal Government and the Central Bank, inflationary pressure would likely begin to moderate in the near term.

On the performance of monetary aggregates, the Committee noted the further growth in broad money supply (M3) to 10.97 per cent in December 2020 from 5.02 per cent in November 2020, driven largely by the growth in Net Foreign Assets. It also noted the expansion in Net Domestic Assets (NDA) to 4.96 per cent from -0.45 per cent in the previous period. Aggregate domestic credit, also moved further up by 13.40 per cent in December 2020, compared with 9.48 per cent in the previous month. This was largely attributed to the Bank's policy on Loan-to-Deposit Ratio (LDR), complemented by its interventions in various sectors of the economy. Consequently, banking sector gross credit as at end-December

2020 stood at N25.02 trillion compared with N24.25 trillion at the end of November 2020, representing an increase of N774.28 billion.

Under the Bank's real sector interventions, under the Anchor Borrowers Programme (ABP), N554.63 billion had been disbursed to 2,849,490 beneficiaries since the inception of the programme, of which N61.02 billion was allocated to 359,370 dry season farmers.

In light of the on-going synchronized efforts by the monetary and fiscal authorities to mitigate the impact of the COVID-19 pandemic, the Bank has committed substantial amount of money towards this objective. Indeed, total disbursements as at January 2021 amounted to N2.0 trillion. COVID-19 Targeted Credit Facility (TCF) meant for household and small businesses, wherein we have disbursed N192.64 billion to 426,016 beneficiaries. We have also disbursed N106.96 billion to 27,956 beneficiaries under the Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS), while in the Health Care Support Intervention Facility, we have disbursed N72.96 billion to 73 project that comprise 26 pharmaceutical projects and 47 Hospitals and Health Care Services Project in the country. To support the provision of employment opportunities for the Nigerian youth, the Central Bank of Nigeria also provided financial support through the Creative Industry Financing Initiative and Nigerian Youth Investment Fund amounting to N3.12 billion with 320 beneficiaries and N268 million with 395 beneficiaries, respectively. On enhancing power supply, the Bank has so far, provided N18.58 billion for the procurement of 347,853

electricity reading meters to Discos in support of the National Mass Metering Programme.

The Committee urged the Bank to sustain its current drive to improve access to credit to the private sector while exploring other complementary initiatives, in collaboration with the Federal Government, to improve funding to critical sectors of the economy. During the period under review, money market rates remained low, reflecting the prevailing liquidity conditions in the banking system. Overall, the monthly weighted average Open Buy Back (OBB) rates declined further from the 1.13 per cent in November 2020 to 1.09 per cent in December 2020.

On the equities market, the Committee noted the positive performance, particularly the sustained patronage by domestic investors largely driven by the prevailing low yields in the money market. The All-Share Index (ASI) increased by 1.82 per cent to 41,001.99 points as at 22nd January, 2021 from 40,270.72 points on 31st December, 2020. Similarly, Market Capitalization (MC) grew by 1.80 per cent to N21.44 trillion from N21.06 trillion over the same period. This improved performance was largely attributed to gains recorded in medium and large capitalized companies, notably in consumer goods, banking, insurance and oil and gas sectors.

The Monetary Policy Committee (MPC), however, noted the marginal increase in the Non-Performing Loans (NPLs) ratio which rose to 6.01 per cent at end-December 2020 from 5.88 per cent at end-November 2020 and above the prudential maximum threshold

of 5.0 per cent. While noting that this development is not unexpected under the prevailing circumstances, it urged the Bank to strengthen its macroprudential framework to bring NPLs below the prescribed benchmark.

On the external reserves position, the Committee noted the increase in the level of external reserves, which stood at US\$36.23 billion as at 21st January, 2021 compared with US\$34.94 billion at the end of November 2020. This reflected improvements in crude oil prices, partial global economic recovery amid optimism over the discovery and distributions of COVID-19 vaccines by most developed economies.

Outlook

Overall, the medium-term outlook for both the domestic and global economies continued to show improved prospects of recovery, supported by the recent moderate uptick in crude prices and increased optimism over the procurement and distribution of COVID-19 vaccines.

Available data and forecasts for key macroeconomic variables for the Nigerian economy suggest further improvement in output growth in the first quarter of 2021. This would be supported by the coordinated and sustained interventions of the monetary and fiscal authorities, including the broad-based stimulus and liquidity injections. Inflationary pressure is also expected to commence moderation as the economy's negative output gap closes.

However, underlying uncertainties in the oil market and current uptick in the second wave COVID-19 infection rate may pose some downside risks to this forecast.

The Committee's Considerations

The Committee noted the moderation in output contraction in the third quarter of 2020, associated with news of the discovery of COVID-19 vaccines and rising oil prices. The outlook for the recovery, however, appears to be dampened by the second wave of the pandemic considering its intensity.

In the Committee's consideration, it noted that the COVID-19 pandemic and the necessary measures put in place by the Government to forestall its public health impact, such as the lockdown and other associated restrictions, contributed to the Nigerian economy going into recession, much like almost every other country in the world. Members thus agreed that the Committee's current priority remains to quicken the pace of the recovery through sustained and targeted spending by the fiscal authority supported by the Bank's interventions. In this light, it was thought necessary to increase collaboration with the fiscal authority by providing complementary spending to finance productive ventures in a bid to improve aggregate supply and reduce prices. This is in addition to effectively collaborating with the Presidential Task Force on COVID-19 through the existing private sector Coalition against COVID-19 (CACOVID) to procure and

distribute vaccines to fast-track the pick-up of business activities and economic recovery.

Members reiterated the adverse impact of insecurity on food production, stressing that the current uptick in inflationary pressure could not be solely associated to monetary factors, but due mainly to legacy structural factors across the economy, including major supply bottlenecks across the country. The Committee, thus called on the Government to redouble efforts at strengthening infrastructural efficiency and address the emerging security challenges in the country. In addition to this, the Committee called on the Government to explore the option of effective partnership with the private sector to improve funding sources necessary to address the huge infrastructural financing deficit. The Committee expressed concern over the rising public debt stock, as recurrent expenditure remained relatively high, compared with capital expenditure, thus, signalling future debt servicing challenges.

To improve Government revenue sources and investment in capital, the Committee called on the Government to take advantage of the take-off of the African Continental Free Trade Area (AfCFTA), which could boost domestic production and generate sizeable revenues for Government, as well as improve domestic productivity and competitiveness.

The Committee commended the Bank's effort of improving liquidity in the foreign exchange market, but noted the need to continue to explore avenues to improve inflow from sources such as the International Money Transfer Operators (IMTO), diaspora

remittances and non-oil export promotion, given the current trajectory of crude oil prices. These sources, in the view of the Committee, would boost foreign exchange supply and ease the current exchange rate pressure.

The Committee noted the continued improvement in the equities market as a lead indicator of medium-term macroeconomic recovery, thus, urging the Bank to maintain its collaboration with the fiscal authority to improve the investment climate towards attracting sustainable Foreign Direct Investment (FDI).

The Committee commended the Bank for maintaining a sound regulatory surveillance over the banking system by ensuring a reasonably low level of non-performing loans (NPLs), even with the aggressive credit expansion programme during this crisis period. Though, NPLs remained slightly above the prudential benchmark, members noted that the banking system remained stable, strong and resilient. Given the success recorded under the LDR policy, it thus urged the Bank to sustain its risk surveillance approach and ensure the continued soundness of the banking system.

In the Committee's consideration, it noted the broad-based global stimulus packages, including expanded credit lines, asset purchase programme, corporate bond purchase, additional funding facilities for financial system, commercial paper purchases, special central bank lending, increase in the Ways and Means limits introduced by the central banks of different countries to support economic recovery in their various economies and to prevent further distortions to the economy caused by the devastating impact of

the pandemic. The Committee noted the large stimulus packages deployed by many countries to fast-track growth recovery and restore livelihoods across the world. For instance, Japan provided stimulus package valued at 66.9 per cent of its 2019 GDP; UK, 45.04 per cent; USA, 28.4 per cent; Brazil, 27.6 per cent; South Africa, 12.6 per cent; China, 11.5 per cent; India, 10.0 per cent; and Russia 7.1 per cent compared with Nigeria's paltry 4.0%. The MPC, therefore, urged the Bank to further expand its current stimulus packages to support the fiscal interventions to reflate and boost recovery in the economy.

The Committee's Decision

At this meeting, MPC was, as in the last meeting, confronted with a policy dilemma as to whether to aggressively combat the inflationary pressure or support measures currently aimed at stimulating growth and reversing the recession.

Although the economy is currently in a stagflation environment with simultaneous occurrence of inflationary pressures and contracting output, the MPC resolved to reverse both developments and continue pursuing price stability in growing the economy.

MPC was of the view, that whereas there may be wisdom in loosening, given that the impact of the global Covid-19 pandemic has resulted in constrained activities, disruption to supply chain and suppress aggregate demand, an accommodative stance may be

required to stimulate credit expansion and boost recovery in the short term.

The Committee was also of the view that an expansionary policy would enable the monetary authorities convince the financial institutions to reduce loan pricing and defer interest and principal repayments to critically affected obligors in a sustainable manner.

On the flip side, MPC also opined that an aggressive expansionary stance may worsen both inflation and the negative real interest rate, thereby resulting in negative consequences on exchange rate.

With regard to tightening, MPC concluded that this may run contrary to its objectives of providing affordable credit to households, MSMEs, Agriculture, and other output growth and employment stimulating sectors of the economy.

MPC was therefore of the view that it should pursue its current stance of systematic synchronization of monetary and fiscal policy accommodation through its developmental finance initiatives, aimed at mitigating the impact of the COVID-19 pandemic on Nigerians.

While expressing understanding of the public health dilemma of the recent spike in infections, MPC encouraged Government not to consider a wholesome lockdown of the economy so as not to reverse the current gains of the stimulus earlier provided in 2020. It also encouraged the Central Bank of Nigeria Management to intensify its efforts in the targeted credit facility to household, SMEs,

the Health Sector, as well as Agric and manufacturing sectors which would not only boost consumer spending but result in manufacturing output thereby positively impacting the GDP. On this basis, the MPC agreed to hold all policy parameters constant.

The Committee thus decided by a unanimous vote to retain the Monetary Policy Rate (MPR) at 11.5 per cent.

In summary, the MPC voted to:

- I. Retain the MPR at 11.5 per cent;
- II. Retain the asymmetric corridor of +100/-700 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

26th January 2021



**CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 133 OF THE
MONETARY POLICY COMMITTEE MEETING HELD ON MONDAY 23rd
AND TUESDAY 24th NOVEMBER 2020**

The Monetary Policy Committee (MPC) met on the 23rd and 24th of November, 2020 amidst the announcement of the discovery of several high efficacy COVID-19 vaccines, resulting in stronger optimism for improvement in global output. However, persisting weakness in crude oil prices, soaring global debt and high unemployment persist. In the domestic environment, the Nigerian economy slid into recession in the third quarter of 2020, following a second consecutive quarter of contraction in output. The third quarter contraction was, however, milder than the previous quarter. The Committee appraised the developments in both the global and domestic economies, as well as the outlook for the rest of the year and the first quarter of 2021.

Ten (10) members of the Committee were in attendance at the meeting.

Global Economic Developments

Although the global economy witnessed a better-than-expected recovery in the second quarter of 2020, it, however, continued to be weighed down by the headwinds largely associated with the

COVID-19 pandemic and weak crude oil prices. In the advanced economies, the persistence of weak aggregate demand, slow recovery in supply chain networks and the rebound in COVID-19 infection rates, have cast a new wave of uncertainty over their recovery in the short to medium term. In the Emerging Market and Developing Economies (EMDEs), China continues to lead the recovery, recording a stronger-than-expected growth in the second quarter of 2020. In India, on the other hand, growth continued to be muted as a result of increasing rates of COVID-19 infections and fatality. In general, this group of economies is set to contract less, compared with the advanced economies, led by the expected strong recovery in China. Consequently, the International Monetary Fund (IMF) reviewed the forecast for global growth in 2020 to reflect a slower pace of contraction from -4.9 per cent to -4.4 per cent.

Inflation in most Advanced Economies is expected to remain subdued in the medium to long term as aggregate demand remains weak across several economies, reflecting the impact of the Pandemic on income. The US economy has, however, maintained a steady pace of job creation, even though infection rates and total fatality continue to rise in that country. The threat of a rebound of the Pandemic in several countries has resulted in second and third waves of lockdowns in these countries. This is expected to further dampen aggregate demand and slow the pace of price development. In several Emerging Market and Developing Economies (EMDES), inflation remained relatively high

compared with the Advanced Economies owing to the persistence of exchange rate pressures, dwindling capital flows and weak accretion to reserves as well as other structural issues.

In the financial markets, conditions remain relatively stable, buoyed by continued monetary and fiscal stimulus. The huge level of monetary and fiscal injections has, however, increased the likelihood of a global financial crisis post-pandemic, especially when central banks commence normalization of monetary policy.

Domestic Economic Developments

Data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) contracted by -3.62 per cent in Q3 2020, compared with -6.10 and 2.28 per cent in the previous quarter and corresponding period of 2019, respectively, thereby pushing the economy into recession. The oil sector contracted further by -13.89 per cent in Q3 2020 from -6.63 per cent in the previous quarter, while the non-oil sector contracted by -2.51 per cent in Q3 2020, compared with -6.05 per cent in the preceding quarter. The persisting weak performance was mainly attributed to the lull in economic activities associated with the low price in the oil market as well as the lingering effects of the Coronavirus Pandemic.

The MPC observed the gradual improvement in the Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMIs) which rose to 50.2 and 47.6 index points, respectively, in November 2020, compared with 49.4 and 46.8 index points in October 2020. This development signposts an increase in economic activities,

driven by growth in new orders, improved supply delivery time, rising production levels and new export orders. The employment level index component of the manufacturing and non-manufacturing PMIs also improved in November 2020 to 47.3 index points and 46.7 index points, respectively, compared with 46.0 index points and 44.2 index points in October 2020. The Committee, however, noted the likely downside risk to growth of the recent unrest in the country, warning that this may adversely impact economic recovery in the near term.

The Committee noted with concern that inflation has been on the rise for the fourteenth consecutive month, as headline inflation (year-on-year) moved up to 14.23 per cent in October 2020 from 13.71 per cent in September 2020. This was attributed to the increase in both food and core inflation, which rose to 17.38 and 11.14 per cent in October 2020 from 16.66 and 10.58 per cent in September 2020, respectively. The continued increase in food and core inflation was attributed to the persistence of insecurity across the country as well as lingering structural deficiencies impacting the logistics of moving food items to urban areas such as poor road networks, unstable power supply and a host of other infrastructural deficiencies. Other factors include the persisting impact of coronavirus-induced supply disruptions, recent hikes in the price of energy products (PMS and electricity) and weak crude oil prices.

The Committee, however, noted that the rise in inflation will likely abate in the medium term, as domestic production is expected to recover, following the resumption of economic activities post-

COVID-19 lockdown. In addition to this, food inflation is expected to moderate as harvest season sets in. Monetary and fiscal policies are also expected to continue their broad-based stimulus support towards full recovery. This will involve fiscal measures to reduce unemployment, provide an enabling environment for private sector investment and necessary support to the health sector to cushion the impact of the coronavirus pandemic. In addition, the CBN is expected to sustain its various intervention measures to boost consumer spending and support the recovery.

The Committee noted that growth in broad money supply (M3) increased marginally to 3.53 per cent in October 2020 from 3.20 per cent in September 2020, reflecting an increase in Net Foreign Assets (NFA). It further noted the moderation in contraction in Net Domestic Assets (NDA) to -2.19 per cent from -5.05 per cent in the previous period. Aggregate domestic credit, however, grew by 7.61 per cent in October 2020 compared with 7.35 per cent in the previous month, as a result of the Bank's policy on Loan-to-Deposit Ratio (LDR), supported by the Bank's interventions in the various sectors of the economy. Total gross credit by the banking industry stood at N19.54 trillion as at 13th November 2020 compared with N19.33 trillion at end-August 2020, an increase of N290.13 billion. When compared with N15.56 trillion at the commencement of the LDR policy in May 2019, total gross credit increased by N3.97 trillion. These loans were granted mainly to manufacturing (N738 billion), General Commerce (N874 billion), Agric and Forestry (N301 billion), Construction (N291 billion), ICT (N231 billion), just to mention a few.

The Committee noted the reduction in interest rates on loans granted by Deposit Money Banks (DMBs). As at October 2020, 86.23 per cent of total loans granted to over one (1) million customers, by Deposit Money Banks (DMBs) were at interest rates considerably below 20 per cent. This was an improvement from 76.43 per cent as at July 2019.

MPC noted the improvement in Financial Soundness Indicators of the DMBs which showed Capital Adequacy Ratio (CAR) of 15.5 per cent, Non-Performing Loans (NPLs) of 5.73 per cent and Liquidity Ratio (LR) of 35.6 per cent, as at October, 2020. As regards non-performing loans (NPLs), MPC however, noted that the ratio remained above the prudential benchmark of 5.0 per cent and urged the Bank to sustain its tight prudential regime to bring it below the benchmark.

The Committee welcomed the improvement in the financial soundness indicators of Other Financial Institutions (OFIs) as indicated by the growth of N582 billion, or 16.94 per cent (year-on-year), in aggregate assets to N4.02 trillion as at end-September 2020. Similarly, aggregate credit grew by N217 billion, or 12.27 per cent (year-on-year), to N1.99 trillion during the same period. The Capital Adequacy Ratio for the subsector also exceeded the minimum prudential ratio of 10 per cent.

The Committee recognized the supportive developmental roles of the CBN towards addressing some of the structural issues in the economy. The MPC specifically expressed optimism on the future

impact of the disbursements from Agri-Business/Small and Medium Enterprise Investment Scheme (AGSMEIS) (N92.90 billion to 24,702 beneficiaries), Anchor Borrowers Program (ABP) by the sum of N164.91 billion to 954,279 beneficiaries and COVID-19 Targeted Credit Facility (TCF) to household and SMEs (N149.21 billion to 316,869 beneficiaries).

Liquidity conditions in the banking system continued to influence money market rates in the review period. The Open Buy Back (OBB) rate declined progressively as a result of rising liquidity levels in the banking system, while there were no transactions at the uncollateralized inter-bank call window. Consequently, the monthly weighted average OBB rate declined to 1.88 per cent in October 2020 from 3.50 per cent in September 2020.

The Committee noted the recent impressive performance recorded in the equities market, particularly the increased patronage by domestic investors largely driven by low yields in the money market. The All-Share Index (ASI) increased by 20.55 per cent to 30,530.69 on October 30, 2020 from 25,327.13 on September 30, 2020. Similarly, Market Capitalization, grew by 20.82 per cent to N15.96 trillion from N13.21 trillion over the same period. This improved performance was largely attributed to positive third quarter corporate earnings as investors moved in to pick-up bargain stocks.

The Committee observed the moderate decline in the external reserves position, which stood at US\$35.18 billion as at November

19, 2020 compared with US\$35.95 billion at end-September 2020, as crude oil prices continue to fluctuate with downward pressure.

Outlook

Overall, the medium-term outlook for the global economy is beginning to show a ray of optimism following the discovery of COVID-19 vaccines.

In the domestic economy, available data and forecasts for key macroeconomic variables also suggest optimism in output growth in the fourth quarter of 2020, due to the positive outlook for most economic activities. Accordingly, the economy is expected to recover from recession by the end of 2020, while inflation is projected to moderate by the first quarter of 2021.

The Committee's Considerations

The Committee's considerations remained focused around tailwinds imparting upward pressure to domestic prices and key headwinds to output growth.

The Committee noted that inflation continued to be driven by supply side disruptions arising from the COVID-19 pandemic and other legacy factors. Key amongst these are: the security challenges in parts of the country; increase in food prices; and the recent hike in pump price of PMS and electricity tariff. The MPC, therefore, emphasized the need to address structural supply side issues putting upward pressure on costs of production and

unemployment. To address the public health crisis associated with the COVID-19 pandemic, the Committee urged the Federal Government to make relentless effort to procure a substantial quantity of the COVID-19 vaccines to surmount the public health crisis and pave the way for a broader macroeconomic recovery.

The Committee noted that the contraction had bottomed out, since it moderated significantly from -6.10 to -3.62 per cent in the third quarter of 2020. This was so because both the monetary and fiscal authorities had anticipated the impending recession and had put measures in place for its quick reversion. Some of these measures include the Economic Sustainability Programme by the Federal Government and other CBN facilities targeted at households, small and medium enterprises (SMEs), youth empowerment, and reduction of unemployment. It thus, urged the Federal Government to maintain its initiatives targeted at reducing unemployment, particularly amongst the youths, citing the recent EndSARS protests and ensuing agitation by hoodlums as potentially disruptive to output growth in Nigeria. To this end, the MPC reiterated its support for the various development finance initiatives of the CBN to stimulate production and reduce unemployment. MPC further encouraged the Bank to intensify its efforts by increasing funding to more beneficiaries so as to boost consumer spending and accelerate recovery from recession.

On the Financial Markets, the Committee considered the improved performance in the equities market as a leading indicator of medium-term macroeconomic recovery. It thus urged the Bank to

maintain its policies on exchange rate and financial system stability to attract more investment into the Nigerian equities market.

The MPC noted that credit to key sectors of the economy increased and encouraged the continued credit support to employment-stimulating sectors to hasten the recovery of output growth and improve employment particularly among the youths. The Committee emphasized the need for the Bank to maintain its regulatory surveillance over the banking system to ensure that non-performing loans remain low.

MPC noted with pleasure, the CBN's engagement with relevant stakeholders, particularly in the private sector, to hasten the recovery of growth. This engagement would involve collaboration towards job creation and provision of credit facilities to stimulate business activities for both corporates and individuals, particularly those who lost their goods and business premises to hoodlums, during the recent protest.

The Committee's Decision

At this meeting, the Committee focused not only on price stability, but also on the need to speedily take actions to exit the recession. In view of these considerations, the choices before the Committee were focused on whether: to tighten the stance of policy to address rising price levels recognizing its primary mandate of price stability; to ease to support output recovery; or to hold to allow existing policy initiatives to permeate the economy.

The Committee noted that, although the appropriate response to rising inflationary pressure would be to tighten the stance of policy in order to moderate upward pressure on prices, it nevertheless, felt that doing this would exert downward pressure on the recovery of output growth. The Committee also felt that tightening would negate the Bank's desire to expand credit to the real sector at affordable terms, not only to boost production, but also to increase consumer spending. To the Committee, tightening was therefore not the appropriate response at this time.

With the economy, whereas MPC felt that government spending and Bank's expansionary stance would be desirable to support recovery and guide the economy out of recession, it felt loosening would trigger excess liquidity and worsen the inflationary pressure. MPC also felt that excess liquidity may impact demand pressure and fuel further depreciation of the naira.

With respect to a hold position, the Committee was of the view that this will be beneficial as it will allow current policy measures to permeate the economy while observing the trend of developments. The Committee also felt that the heterodox policies of the Bank targeted at various sectors are showing positive results that would further engender growth.

On balance, the MPC was of the view that, although all three options offer some benefits to the economy, the hold option was desirable at this meeting. Based on these factors, members, voted in line with the most pressing need towards reversing the recession and achieving medium term macroeconomic stability.

In view of the foregoing, the Committee decided by a unanimous vote to retain all parameters.

In summary, the MPC voted to:

- I. Retain the MPR at 11.5 per cent;
- II. Retain the asymmetric corridor of +100/-700 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

24th November, 2020



**CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 132 OF THE
MONETARY POLICY COMMITTEE MEETING HELD ON
21ST AND 22ND SEPTEMBER, 2020**

The Monetary Policy Committee (MPC) met on Monday, 21st and Tuesday, 22nd September, 2020, in the light of lingering uncertainties associated with the COVID-19 pandemic and downturn in crude oil prices. These uncertainties which centered primarily on when the pandemic will be fully subdued and the oil market return to normalcy, have resulted in persistent weak aggregate demand, disruptions in global supply chains, mixed price development, volatile and downward trending oil prices, as well as rising unemployment.

The Committee reviewed these developments and assessed their impact on the domestic economy in the first three quarters of 2020 and noted the outlook for the rest of the year.

Ten (10) members of the Committee were in attendance.

Global Economic Developments

The Committee observed the moderate improvement in global output performance with widespread recession in the second quarter of 2020. This followed the sharp decline in output growth in the Advanced Economies and some Emerging Markets and Developing Economies (EMDEs), as well as the risk of further deterioration in global output growth, associated with the lingering shocks from the COVID-19 pandemic. Global exports and international travels, however, showed signs of gradual, but sluggish recovery, as countries relax restrictions to allow for resumption of economic activities.

The International Monetary Fund (IMF), therefore, remained cautious of its global growth forecast for 2020, which was hinged on the near-term

containment of the pandemic. The likelihood of a second-round spike in the rate of infection is, however, undermining hopes of an early return to normalcy. Oil exporting countries are also likely to face further revenue shortfalls as a result of the decision by OPEC+ to reduce its production ceiling from 9.6 million barrels per day to 7.7 million barrels per day. Due to these headwinds, we suspect that the global economy may suffer a deeper contraction in 2020 than the 4.9 per cent projected by the IMF. This may also dampen the projected recovery in 2021.

The MPC observed the huge injection of monetary and fiscal stimulus into the global economy, noting its medium-term inflationary potential. In major advanced economies, inflation mostly remained below their 2.0 per cent long-run objectives, as the recovery of both global aggregate demand and supply remained stalled. Across the group of Emerging Market and Developing Economies, price development remained mixed, reflecting the diverse structure of these economies. The exchange rates of EMDEs continued to be under pressure as global capital flows were subdued, reflecting investor's preference for gold as a safe haven. With the unprecedented and coordinated injection of liquidity by central banks and fiscal authorities globally, the risk of another financial crisis post-COVID-19 can no longer be overlooked as this may likely crystalize into a double deep global recession when central banks across the globe move to normalize monetary policy.

In the global financial markets, conditions remain relatively tight reflecting continued uncertainties. Thus, while markets are showing moderate signs of recovery, financial conditions are yet to ease fully as investors remain cautious of the lingering risk of a second-round of lockdown.

Domestic Economic Developments

Available data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) contracted by 6.10 per cent in the second quarter of 2020 compared with expansions of 1.87 and 2.12 per cent in the preceding quarter of 2020 and the corresponding period of 2019, respectively. The development ended, the three-year trend of low, but positive real GDP

growth recorded in Nigeria since the end of the 2016/17 recession. The contraction in Q2 2020 was largely driven by the poor performance of both the oil and non-oil sectors due to the lockdown to contain the spread of the pandemic in Q1 2020. The oil sector contracted by 6.63 per cent in Q2 2020 from -5.03 per cent in the previous quarter, while the non-oil sector contracted by 6.05 per cent in Q2 2020, compared with an expansion of 1.55 per cent in Q1 2020.

The MPC noted the continued weakness in economic activities as indicated by the Manufacturing and non-Manufacturing Purchasing Manager's Indices (PMIs), which remained below the 50-index point benchmark. In August 2020, the Manufacturing and non-Manufacturing PMIs were 48.5 and 44.3 index points, respectively, compared with 42.4 and 43.3 index points in July 2020. This was attributed to slower growth in production, business activities, new orders, supply delivery time, employment level, new export orders and raw materials and input prices. Similarly, the employment level index component of the Manufacturing and non-Manufacturing PMIs in August 2020 was 44.6 and 44.3 index points, respectively, compared with 40.0 and 41.1 index points in July 2020. The Committee was, however, optimistic that with the easing of the lockdown and gradual resumption of economic activities, the PMIs will improve in the short-to medium term.

The Committee expressed deep concern on the continued uptick in inflation for the twelfth consecutive month as headline inflation (year-on-year) rose to 13.22 per cent in August 2020 from 12.82 per cent in July 2020. The increase in headline inflation was largely driven by the persistent increase in the food component, which rose to 16.00 per cent in August 2020 from 15.48 per cent in July 2020. The core component also rose to 10.52 per cent in August from 10.10 per cent in July 2020. These upticks were driven primarily by legacy structural factors such as the inadequate state of critical infrastructure and broad-based security challenges across the country, which dampened production activities. Other factors include the disruptions to supply chains following restriction to movements to curb the spread of the pandemic; adverse weather conditions,

which resulted in flooding of farmlands; as well as the inflation pass-through to domestic prices following the depreciation in the exchange rate. The recent increase in energy cost is also expected to further impact the domestic price level in the short-term.

The Committee, therefore, stressed the urgent need for a combination of broad-based monetary and fiscal policy measures to curb the rise in inflation and contraction in output growth. This will involve targeted investment by the fiscal authorities to resuscitate critical infrastructure to improve the ease of doing business across the country. In addition, the MPC believes the fiscal authorities can build on earlier efforts and articulate a clear strategy to attract private sector investment. The Bank will, however, continue to take relevant steps to ensure that the detrimental risk of inflation to the economy is contained.

The Committee noted the various interventions by the CBN to reflate the economy, improve aggregate supply and drive down inflation. Recent interventions were largely in the areas of Manufacturing, Agriculture, Electricity & Gas, Solar Power and housing constructions among others. It expressed optimism that these initiatives will significantly ease the adverse impact of the COVID-19 pandemic and set the economy on a path of recovery. So far, total disbursements from the Bank's interventions in the wake of the COVID-19 pandemic amounted to N3.5 trillion including: Real Sector Funds, (N216.87 billion); COVID-19 Targeted Credit Facility (TCF), (N73.69 billion); AGSMEIS, (N54.66 billion); Pharmaceutical and Health Care Support Fund, (N44.47 billion); and Creative Industry Financing Initiative (N2.93 billion). Under the Real Sector Funds, a total of 87 projects that included 53 Manufacturing, 21 Agriculture and 13 Services projects were funded. In the Health Care sector, 41 projects which included 16 pharmaceuticals and 25 hospital and health care services were funded. Under the Targeted Credit Facility, 120,074 applicants have received financial support for investment capital. The Agri-Business/Small and Medium Enterprise Investment Scheme (AGSMEIS) intervention has been extended to a

have benefited from the Creative Industry Financing Initiative. In addition to these initiatives, the CBN is set to contribute over N1.8 trillion of the total sum of N2.30 trillion needed for the Federal Government's 1-year Economic Sustainability Plan (ESP), through its various financing interventions using the channels of Participating Financial Institutions (PFIs). The MPC is, thus, using this medium to appeal to our important economic stakeholders to take advantage of these intervention initiatives to help support a quick rebound in growth.

The Bank's policy on Loan to Deposit ratio also resulted in a significant growth in credit to various sectors from N15.57 trillion to N19.33 trillion between end-May 2019 and end-August 2020, an increase of N3.77 trillion. This growth in credit was mainly to manufacturing (N866.27 billion), consumer credit (N527.65 billion), oil & gas (N477.65 billion), agriculture (N287.11 billion) and construction (N270.97 billion).

On Monetary Aggregates, broad money supply (M3) rose to 6.93 per cent (year-to-date) in August 2020 from 5.23 per cent in July 2020, reflecting the increase in both Net Foreign Assets and Net Domestic Assets. Similarly, aggregate domestic credit (net) grew by 6.94 per cent in August 2020 compared with 9.43 per cent in July 2020.

Money market rates remained relatively stable in the review period with some mild volatility, reflecting the prevailing liquidity conditions in the banking system. The monthly weighted average Inter-bank call rate increased to 7.38 per cent in August 2020 from 6.25 per cent July 2020, while the Open Buy Back (OBB) rate decreased to 8.39 per cent in August 2020 from 10.12 per cent in July 2020.

The MPC noted the moderate improvement in the equities market in the review period, as the All-Share Index (ASI) increased by 5.78 per cent from 24,174.75 on July 21, 2020 to 25,572.57 on September 18, 2020. On a year-to-date basis, however, the ASI decreased by 4.73 per cent compared with 26,842.07 as at December 31, 2019. Market Capitalisation (MC) also increased by 5.98 per cent from N12.61 trillion to N13.36 trillion over the same period. As a lead indicator,

therefore, this improvement in market indices signposts the commencement of a broad-based economic recovery.

The Committee also noted the decrease in the NPLs ratio to 6.1 per cent at end-August 2020 compared with 9.4 per cent in the corresponding period of 2019 due largely to recoveries, write offs and disposals.

The Committee expressed confidence in the overall stability of the banking system as reflected in the positive performance of the financial soundness indicators (FSIs), despite the persistence of the COVID-19 pandemic. It however, called on the Bank to sustain its regulatory oversight on the industry in the light of the continued fragility of macroeconomic indicators and the impact of the COVID-19 pandemic and the growing risk of cyber-attacks on business and economic activities.

On the external sector, the Committee noted the resumption of sales to Bureaux de Change (BDCs) in a bid to improve liquidity and ease demand pressure in the foreign exchange market. Consequently, the exchange rate appreciated at all windows. The MPC observed the recent improvement in external reserves and urged the Bank to maintain its prudent allocation of foreign exchange towards balancing supply and demand.

Outlook

The broad outlook for the global recovery remains uncertain, as the headwinds associated with the COVID-19 pandemic persist, especially due to new indications of a second spike in the rate of infections, continues to dampen prospects of a near term recovery.

With several economies contracting deeper than expected, the global economy may eventually contract beyond the -4.9 per cent earlier projected by the IMF, as the second-round spike in the infection rate has resulted in widespread localized lockdowns in some advanced and emerging market economies. In addition, the persisting volatility in global oil prices, which is likely

to continue beyond the end of 2020 as indicated by the deliveries in the oil futures market, signposts the likelihood of a disorderly global recovery.

The synchronized monetary policy accommodation by major central banks in both the Advanced and Emerging Market Economies, portends the likelihood of a medium-term debt crisis which may set the global economy into another downturn, if not properly managed.

On the domestic economy, staff forecast suggests that the economy may continue to grapple with the effects of the pandemic throughout the rest of the year. With persistent focus on activities meant to reverse the contraction, the MPC projects growth at positive levels in Q4 2020, or at the latest by Q1 2021, based on the anticipated positive results from the coordinated and sustained interventions by both the monetary and fiscal authorities. These interventions include, the coordinated response of the monetary and fiscal authorities to curtail the spread of the COVID-19 pandemic, reverse the downturn in the economy, improve sources of revenue in the non-oil sector and encourage the build-up of fiscal buffers.

The Committee's Considerations

The Committee's considerations focused on the major headwinds exerting downward pressure on output growth and upward pressure on domestic prices.

The key factors considered by the MPC as likely to exert upward pressure on domestic prices in the near term include: the prevalence of security challenges in the country; adverse weather conditions causing flooding in some farming regions; the increase in petroleum pump price; deregulation in electricity tariff; low crude oil price; and exchange rate adjustment.

The Committee noted that available evidence does not support the view that the rise in inflation was due to monetary factors. Rather, there is overwhelming evidence that the inflationary pressure reflects the prevalence of structural rigidities and supply shocks. Hence, the traditional tools of monetary policy may not be helpful in addressing current inflationary pressures. Instead, the useful

policies will be the supply-side measures implemented by the Bank. In the light of this, reducing MPR will signal to the Deposit Money Banks to lend more to stimulate growth, increase aggregate supply, which should dampen prices in the immediate term.

Although the MPC remains committed to its primary mandate of ensuring price stability, it however, noted the need to address the structural supply-side issues that are putting upward pressure on production cost and depressing economic growth. To this end, the Committee supports the various intervention programmes of the Bank towards stimulating production in the agricultural and manufacturing sectors to increase aggregate output and lower prices.

On Financial Markets, the Committee considered the impact of the dwindling capital inflows on yields in the equities, bonds and money markets. It, however, observed the improvement in the equities market from the second quarter of 2020, indicating prospects of medium-term economic recovery. Members also took cognizance of the prevailing low rates in the money market which are also below the lower band of the standing facilities corridor, as being a distortion to money market operations.

The Committee noted the increase in aggregate credit and encouraged further expansion in credit to employment-generating sectors to expedite growth recovery. It, however, urged the Bank to sustain its regulatory surveillance over the banking system to ensure that Non-Performing Loans (NPLs) remain low.

The Committee also noted the rising public debt profile and urged the fiscal authority to strengthen its debt management strategy, explore other sources of revenue, as well as enhance efficiency in public expenditure. It commended the combined effort of the Federal Government and the CBN in providing the required stimulus to contain the pandemic and ease its impact on the Nigerian economy.

The Dilemma of Monetary Policy

The MPC was at this meeting confronted by policy dilemma. Whereas MPC believes in the primacy of its price and monetary stability mandate, it nevertheless was confronted with what policy direction to focus on, given the contraction in output growth during the second quarter of 2020, which may lead to a recession, if the third quarter of 2020 output growth numbers further show a contraction. It is, therefore, of the view that, if a recession occurs in Q3 2020 the Committee would be confronted with proposing policy options in a period of stagflation. This is because, with the recent removal of subsidy on fuel price, the increase in energy prices, and the adjustment of the exchange rate, inflationary pressure will no doubt persist unless MPC consider options that will deal with the pressure aggressively.

The Committee was therefore of the view that, to abate the pressure, it had no choice but to pursue an expansionary monetary policy using development finance policy tools, targeted at raising output and aggregate supply to moderate the rate of inflation.

At present, fiscal policy is constrained and so cannot, on its own lift the economy out of contraction or recession given the paucity of funds arising from weak revenue base, current low crude oil prices, lack of fiscal buffers and high burden of debt services. Therefore, monetary policy must continue to provide massive support through its development finance activities to achieve growth in the Nigerian economy. This is the reason MPC will continue to play a dominant role in the achievement of the goals of the Economic Sustainability Program (ESP) through its interventionist role to navigate the country towards a direction that will boost output growth and moderate the level of inflation.

Similarly, given that the currency adjustment was a causal factor in determining the price of petroleum products and energy prices, the MPC believes that the CBN management must take bold actions to stabilize the exchange rate. Management was further enjoined by the MPC to continue to provide funding to sectors that will resolve the supply constraints in petrol pricing, energy pricing and food availability.

To support household consumption, the MPC enjoined management to aggressively channel its funding to targeted households, SMEs and consumer credit by further increasing its lending activities through its NIRSAL Microfinance Bank (NMFBS). The Management was also directed to ensure that DMBs respond to the reduction in deposit rates by aggressively lowering cost of credit to borrowers.

As regards output growth, MPC noted that air and road transportation; entertainment & accommodation; food services; and education subsectors were adversely affected by the lockdown. It therefore suggested that more efforts be put in place to continue to provide relief and funding to these subsectors to catalyse growth and improve the output numbers.

Dealing with The Causal Factors of Inflation

In the view of the MPC, so far, evidence has not supported the rising inflation to monetary factors but rather, evidence suggests non-monetary factors (structural factors) as the overwhelming reasons accounting for the inflationary pressure.

Accordingly, the implication is that traditional monetary policy instruments are not helpful in addressing the type of inflationary pressure we are currently confronted with. What is useful is the kind of supply side measures currently being implemented. MPC also expects that a downward adjustment in MPR may be necessary to further put pressure on our deposit money banks to lower cost of credit in aid of growth.

The Committee's Decision

In the face of declining economic growth and rising inflation, the Committee faced a difficult set of policy choices, requiring trade-offs and sequencing.

Following the above considerations, the Committee reviewed the choices before it, bearing in mind its primary mandate of price stability and the need to support the recovery of output growth. Consequently, the Committee noted that the likely action aimed to addressing the rise in domestic prices would

have been to tighten the stance of policy, as this will not only moderate the upward pressure on prices, but will also attract fresh capital into the economy and improve the level of the external reserves. It however, noted that this decision may stifle the recovery of output growth and thus, drive the economy further into contraction.

On easing the stance of policy, the MPC was of the view that this action would provide cheaper credit to improve aggregate demand, stimulate production, reduce unemployment and support the recovery of output growth. The Committee, however, observed that with inflation trending upwards, easing of the policy stance may exacerbate the current inflationary pressure through an increase in money supply. In addition, the MPC noted the tendency of an asymmetric response to downward price adjustments by 'Other Depository Corporations', thus undermining the overall beneficial impact of a reduction to the cost of capital.

In the Committee's view, a hold position will allow the economy to adjust to the ongoing stimulus measures put in place by the monetary and fiscal authorities to curb the downturn and allow more time for the MPC to assess their impact on the economy.

After the consideration of the three policy options, Members were of the opinion that the option to loosen will complement the Bank's commitment to sustain the trajectory of the economic recovery and reduce the negative impact of COVID-19. In addition, the liquidity injections are expected to stimulate credit expansion to the critically impacted sectors of the economy and offer impetus for output growth and economic recovery.

In view of the foregoing, the Committee decided to reduce the MPR by 100 basis points to 11.5 per cent and adjust the asymmetric corridor to +100/-700 around the MPR.

Six (6) members voted to reduce the MPR by 100 basis points, one (1) member by 50.0 basis points and three (3) voted to hold. Nine (9) members voted to change the asymmetric corridor while one member voted to hold.

All members voted to hold the Cash Reserve Ratio (CRR) and Liquidity Ratio (LR).

In summary, the MPC voted to:

- I. Reduce the MPR by 100 basis points from 12.5 to 11.5 per cent;
- II. Adjust the asymmetric corridor from +200/-500 basis points to +100/-700 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and,
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele
Governor, Central Bank of Nigeria

22nd September, 2020



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 131 OF THE 274th MONETARY POLICY COMMITTEE MEETING HELD ON MONDAY 20th JULY 2020

The Monetary Policy Committee (MPC) met on 20th July 2020, amidst elevated uncertainties across the world. The projected global output contraction was revised downward, as many countries had to extend the lockdown period in the wake of a second wave of coronavirus infections, and continued lack of effective treatment or vaccines for the Novel Coronavirus disease. However, there is cautious optimism that the global growth contraction would reverse to positive growth path by 2021, as the pandemic is contained, potential treatment found, and restrictions on business activities are lifted by most economies.

The Committee reviewed developments in the global and domestic economic environment in the first half of 2020 and evaluated the monetary policy options to address these challenges.

Ten (10) members of the Committee were in attendance.

Global Economic Developments

Global output growth weakened further, as a result of the persistent headwinds from the COVID-19 pandemic. These headwinds comprised: persisting decline in global aggregate demand and supply; disruptions in global supply chain and trade; rising sovereign and corporate debts; heightened financial market vulnerabilities; low prices of crude oil and other commodities; and rising unemployment.

The Committee noted, with concern, the IMF's further downgrade of global economic contraction to -4.9 per cent from -3.0 per cent in 2020. The downward revision was based primarily on the amplified negative impact of COVID-19 pandemic on many advanced and emerging market economies, as they witnessed extended lockdown periods and restrictions on economic activities.

The Committee noted the general optimism of a V-shaped global growth trajectory due to the expected early abatement of the pandemic and the gradual resumption of economic activities. However, the Committee believes that global recovery, while assured for 2021, is more likely to be a U-shaped one. In this regard, it is not surprising that the recovery has been revised downwards from 5.8 per cent to 5.4 per cent in 2021.

The Committee observed the continued downward trend in inflation in most Advanced Economies, particularly below the 2.0 per cent long-run target, despite the huge monetary and fiscal

stimulus injections during the period. The Committee, however, noted that as the lockdown eases across the advanced economies, aggregate demand is expected to strengthen and inflation would pick up to support the expected output growth. Across the Emerging Markets and Developing Economies (EMDEs), the Committee observed the divergent inflation trends, with most developing commodity-exporting countries recording increase in inflation compared with other more diversified economies. This development had inadvertently exerted significant pressure on the exchange rates of these economies as the pass-through to domestic prices has been amplified.

The Committee observed that the unprecedented increase in public spending to support households and businesses, in the wake of the pandemic, may spur inflationary pressures in some economies, as the supply shortfalls struggle to meet up with the demand build up.

Domestic Economic Developments

Available data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) grew marginally by 1.87 per cent in the first quarter of 2020 compared with 2.55 and 2.10 per cent in the preceding and corresponding quarters of 2019. The performance was largely driven by the 5.06 per cent growth in the oil sector and 1.55 per cent growth in the non-oil sector. The decline in output growth in the first quarter was largely attributed to the twin

effect of the decline in oil prices and the shocks from the Covid-19 pandemic.

The Committee observed the gradual, but persistent decline in the Manufacturing and non-Manufacturing Purchasing Manager's Indices (PMI), below the benchmark. The Manufacturing PMI declined to 41.1 index points in June 2020 from 42.4 index points in May 2020. Conversely though, the non-manufacturing PMI improved to 35.7 index points in June 2020 from 25.3 index points in May 2020. The trend in the manufacturing and non-Manufacturing PMI was attributed, largely, to: slower growth in production levels; new domestic orders; employment rate; raw materials supply; and new export orders. The Committee noted the staff forecast of 1.03 per cent contraction in growth in Q2 2020, on the back of the continued adverse impact of the pandemic on the economy.

The Committee expressed concern over the persistent, albeit marginal, uptick in inflation for the tenth consecutive month, as headline year-on-year inflation rose to 12.56 per cent in June 2020 from 12.40 per cent in May 2020. The increase in headline inflation was largely driven by the increase in both food and core inflation, which rose marginally to 15.18 and 10.13 per cent in June 2020 from 15.04 and 10.12 per cent in May 2020, respectively. The Committee noted the contribution of the legacy structural factors in the persistent uptick in inflationary pressure. These factors included: disruptions to key supply channels due to security challenges from herder-farmer clashes, banditry/kidnapping, inadequate transportation outlay, epileptic power supply, and low

technological adaptability. These factors have compounded the supply chain challenges.

The Committee reiterated the need for a robust fiscal policy strategy to attract private investment and capital, to finance the huge infrastructure deficit in Nigeria, and strengthen the existing initiatives by the federal government and the CBN in this direction.

The Committee recognized the supportive developmental roles of the CBN towards addressing some of these structural issues. The MPC specifically expressed optimism on the future impact of N50 billion Household and SME facility, out of which N49.195 billion has been disbursed, to over 92,000 beneficiaries. The N100 billion healthcare and N1.0 trillion manufacturing and agricultural interventions to support the rebound in growth from the impacts of the pandemic on the economy. The Committee further commended the CBN coordinated CA-COVID - Private sector intervention scheme - which had mobilized over N32 billion to support the economy, lives and livelihoods. The Committee noted that the CBN had disbursed over N152.9 billion to the manufacturing sector to finance 61 manufacturing projects and another N93.6 billion to the Healthcare sector, amongst many other sector-specific facilities.

The Committee is hopeful that upon further drawdown of these intervention facilities, the much needed reset and rebound of the Nigerian economy will become a reality.

The Committee noted that broad money supply (M3) grew by 1.64 per cent in June 2020 from 2.72 per cent in May 2020, largely due to increases in Net Domestic Assets (NDA) and Net Foreign Assets (NFA). The growth in M3, however, remained well below the indicative benchmark of 13.09 per cent for 2020.

Aggregate domestic credit (net) grew by 5.16 per cent in June 2020 compared with 7.47 per cent in May 2020. The Committee commended the CBN Loan-to-Deposit Ratio (LDR) initiative to address the credit conundrum as the total gross credit increased by N3.33 trillion from N15.56 trillion at end-May 2019 to N18.90 trillion at end-June 2020. These credits were largely recorded in manufacturing, consumer credit, general commerce, and information and communication and agriculture, which are productive sectors of the economy.

Money market rates remained relatively stable in the review period, reflecting the prevailing liquidity situation in the banking system. The monthly weighted average Inter-bank call and Open Buy Back (OBB) rates increased to 5.75 and 11.31 per cent, respectively, in June 2020 from 5.22 and 5.80 per cent, respectively in May 2020.

The Committee welcomed the modest recovery recorded in the equities market as the All-Share Index (ASI) and Market Capitalization (MC) increased by 6.33 and 6.44 per cent, on April 30 and June 30, 2020, respectively. The modest improvement reflected the resumption of business activities which spurred

market confidence, as Government commenced gradual ease of the lockdown.

The Committee noted the decrease in NPLs ratio to 6.4 per cent at end-June 2020 from 9.4 per cent in the corresponding period of 2019, on account of increased recoveries, write-offs and disposals. The Committee expressed confidence in the stability of the banking system and urged the Bank to monitor the compliance of DMBs to its prudential and regulatory measures to sustain the soundness and safety of the banking industry.

In light of the Bank's continued effort to find innovative ways of using local resources to diversify the sources of the country's Foreign Exchange Reserves, the Committee welcomed the decision of the Central Bank of Nigeria to develop a Gold Purchase Framework under the Federal Government's Presidential Artisanal Gold Mining Development Initiative. The standardised gold bars, which would be purchased in Naira from Nigerian miners and refiners would not only create thousands of jobs for the artisans, but would provide a new sources of foreign exchange accretion to our reserves, and ensure the strength and stability of the Naira.

The Committee also commended the Federal Government for the approval to establish a CBN-led Infrastructure Development Company, which will leverage local and international funds for rebuilding of critical infrastructure across the country. This entity, which will be wholly focused on Nigeria and Nigerians alone will be co-owned by the CBN, the Africa Finance Corporation (AFC) and the Nigeria Sovereign Investment Authority (NSIA), but exclusively

managed by an Independent Infrastructure Fund Manager (IIFM) that will mobilize local and foreign capital to support the Federal Government in building the transport infrastructure required to move agriculture and other products to processors, raw materials to factories, and finished goods to markets. The sum of N15 trillion is projected over 5 years for the initial run. The Committee noted with satisfaction the CBN's immediate work on the updates and timelines for the establishment of this much-needed entity.

Outlook

The outlook for the global economy remains weak. The IMF's earlier expectations that the coronavirus pandemic will wane by the end of the second quarter of 2020, as economies implement the various prevention protocols, were not achieved. Several countries witnessed a second outbreak after the initial ease in lockdown. This necessitated the IMF's downgrade of output growth forecast for both 2020 and 2021.

The slow recovery in oil prices, and its attendant volatility, is projected to continue in 2020 and well into 2021. This would further dampen recovery prospects, particularly for most oil-exporting countries.

With many central banks, in the advanced economies, exhausting their conventional monetary policy headroom, unconventional monetary policy tools would trigger global liquidity surfeit, with consequences for many emerging market and developing

economies, including, volatility in international financial system and markets.

Provisional data on key domestic macroeconomic variables indicate that the Nigerian economy may record negative quarterly GDP growth in the 2nd quarter of 2020, but there is cautious optimism that the year may end in marginal negative territory, with strong recovery prospects in 2021.

The Committee's Considerations

The Committee's considerations were guided by the developments in the global and domestic economic environment.

The MPC noted that the current coordinated efforts by the Federal Government to contain the COVID-19 pandemic would reposition the economy on a sustainable path of rapid recovery. The Committee welcomed the government's articulated fiscal stimulus to cushion the impact of the pandemic on households and businesses, through various palliatives and fiscal incentives and reiterated the need for effective and timely implementation.

The MPC expressed the utmost need for both the monetary and fiscal authorities to collaborate, for the optimal synergy for measures targeted at reviving the economy. The Committee called on the government to sustain its efforts at diversifying revenue sources and ensure fiscal prudence, particularly, with the use of the recent grants and multilateral concessionary loans. The Committee encouraged the adoption of counter-cyclical fiscal policy framework to shield the economy from persistent revenue shocks.

The MPC noted the Bank's overarching commitment to maintaining price stability and encourage the Bank to sustain the current measures targeted at moderating inflation, including addressing some of the supply-side structural challenges.

The Committee urged the Bank to continue to give particular attention to its mandate of exchange rate stability, given the recent volatility in the international financial system, to avoid excessive demand pressures in the foreign exchange market.

The MPC commended the Bank on its efforts in sustaining the soundness and resilience of the financial system, particularly, in the face of severe economic challenges. The Committee noted the Bank's drive to accelerate credit growth to the private sector, especially to micro, small and medium scale enterprises and the recent monetary stimulus packages to households and businesses affected by the pandemic.

The Committee's Decision

The Committee reviewed the policy options before it and argued that the option of tightening at this time would contradict the noble initiative of expansion of affordable credit to the real sector, noting that this would heighten the cost of production which will translate to higher prices of goods and services and harder economic condition for people.

On the other hand, loosening monetary stance would provide the desired succour for stimulating output growth and rapid recovery, but with implications for domestic private investment and capital

mobilisation to support the huge domestic financing gap. Further cut in MPR may not necessarily lead to a corresponding decrease in market interest rate, considering the current economic challenges. The Committee was also mindful of the cut in policy rate at the last MPC meeting and the need to allow time for the transmission effect to permeate the economy.

Given the plethora of monetary and fiscal measures recently deployed to address the impending economic crisis, following the COVID-19 outbreak, it would be a relatively cautious option to hold, in order to evaluate the effectiveness of these tools at addressing the current challenges, particularly with the mounting uncertainties within the domestic economy, as well as the external vulnerabilities.

After reviewing the three options, the MPC noted that the imperative for monetary policy at the May 2020 meeting was to strike a balance between supporting the recovery of output growth and reducing unemployment while maintaining stable prices. The Committee noted at this meeting that the economic fundamentals have marginally improved by the end of June 2020, following the gradual pick-up of economic activities as the positive impacts of the various interventions permeate into the economy.

As a result, the Committee noted that the earlier downward adjustment of the MPR by 100 basis points to 12.5 per cent to signal the loosening monetary policy stance is yielding positive impact as credit growth increased significantly in the economy. The Committee also noted the positive impact of the various fiscal and monetary interventions on households, SMEs and manufacturing

sectors. The Committee also noted that increasing MPR at this stage will thus be counter-intuitive and will result in upward pressure on market rates and cost of production.

In view of the foregoing, the Committee decided by a majority vote to retain the Monetary Policy Rate (MPR) at 12.5 per cent and to hold all other policy parameters constant.

The Committee decided by a vote of eight members to Hold and two members voted to Reduce MPR. All members voted to retain all other policy parameters.

In summary, the MPC voted to:

- I. Retain the MPR at 12.5 per cent;
- II. Retain the asymmetric corridor of +200/-500 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

20th July, 2020



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 130 OF THE MONETARY POLICY COMMITTEE MEETING HELD ON THURSDAY 28th MAY 2020

The Monetary Policy Committee (MPC) met on 28th May, 2020 in an environment of severe macroeconomic shock caused by the fatal spread of the Novel COVID-19 Pandemic, which first started as a health crisis in December 2019 in China and quickly morphed into a global economic crisis in the ensuing months. The pandemic induced economic shock is mainly characterised by disruptions to the global supply chain, on account of the mitigating measures put in place by various governments to contain the spread of the disease. The effects on the global economy have been unprecedented and indeed severe. These include significant stock market crashes; exchange rate volatilities; rising corporate and public debt; rising levels of unemployment; tightening financial conditions; capital flow reversals; and negative shocks to commodity prices, to mention a few.

Under this period of economic crisis, the Committee assessed the developments in the global and domestic economic environments in the first five (5) months of 2020, and the outlook for the rest of the year. Ten (10) members of the Committee were in attendance.

Global Economic Developments

The Committee reviewed developments in the global economy, noting the swift and widespread monetary and fiscal stimulus responses to mitigate the economic crisis and avoid economic recession. They observed that since the duration of the pandemic is unknown, forecasts for global growth projection

for 2020 differs amongst institutions and central banks. While the IMF output growth forecast for 2020 was downgraded by 3.0 per cent in 2020, compared with an initial growth projection of 3.3 per cent, the forecast by the Organisation for Economic Co-operation and Development (OECD) showed a moderation in global output growth from 2.9 per cent in 2019 to 2.4 per cent in 2020 and 3.3 per cent in 2021. Most central banks in Emerging and Developing Economies (EMDEs) have mixed forecasts, reflecting the intensity of the demand and supply shocks, as well as the effectiveness of the mitigating measures and stimulus by their monetary and fiscal authorities.

The MPC noted that inflation in most Advanced Economies remained largely below their 2.0 per cent long-run targets. This was partly due to suppressed aggregate demand, occasioned by the lockdown, with resulting low expectations of future income, forcing spending to be directed to only essential goods and services.

The Committee, however, noted that, although, recent monetary decisions in most advanced economies had been accommodative, portfolio flow reversals from Emerging and Developing Economies had continued, indicating general rebalancing of portfolios toward cash and gold as safe assets by investors. This development has resulted in renewed pressure on exchange rates of some Emerging and Developing Economies with a likely pass-through to their domestic prices. In addition, a likely medium-term impact of these synchronized liquidity injections and other forms of monetary accommodation is the compounding of the already huge global corporate and public debt portfolios which may result in a spike in global debt post-COVID-19.

Domestic Economic Developments

Available output data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) grew by 1.87 per cent in the first quarter of 2020 compared with 2.55 and 2.10 per cent in the preceding and corresponding quarters of 2019, respectively. This was driven largely by 5.06 per

cent growth in the oil sector and 1.55 per cent in the non-oil sector. The economy, however, expanded by 2.27 per cent in 2019, the most since 2015, compared to 1.91 per cent in 2018.

The Manufacturing and non-Manufacturing Purchasing Manager's Indices (PMIs) declined significantly to 42.4 and 25.3 index points, respectively, in May 2020, compared with 51.1 and 49.2 index points in March 2020. The contraction in the manufacturing and non-manufacturing PMIs was attributed to slower growth in production, new orders, employment level, raw materials and input prices. The employment level index for the manufacturing and non-manufacturing PMIs also contracted further to 25.5 and 32.0 index points, respectively, in May 2020 compared with 47.1 and 47.3 index points in March 2020. Generally, the purchasing managers' activities in May 2020, were largely affected by the lockdown of the global economy to curtail the spread of the COVID-19 pandemic.

In the light of the above developments, the Monetary Policy Committee commended the Bank's effort on the recent measures put in place to mitigate the economic impact of the twin shocks on the Nigerian economy. The Committee expressed support for the sustenance of the broad-based stimulus and liquidity facilities to curb the adverse effects of the shocks.

The Committee also noted with concern the persisting uptick in inflation for the eighth consecutive month as headline inflation (year-on-year) rose to 12.34 per cent in April 2020 from 12.26 per cent in March 2020. The uptick largely reflected the increase in both the food and core components, which rose to 15.03 and 9.98 per cent in April 2020 from 14.98 and 9.73 per cent in March 2020, respectively. The MPC noted that the recent increase in inflationary pressure was largely due to a combination of factors including; disruptions in supply chain owing to restrictions on inter-state travels; reduced domestic supply of foreign exchange; continued impact of deteriorating domestic infrastructure; and spillover effects of the Pandemic on global supplies, amongst others. Against this background, the Committee emphasized the

need to sustain measures already put in place to maintain price stability. It noted that as the supply of goods and services increase, following the gradual easing of the lockdown and return of economic activities, there would be increase in aggregate supply.

On monetary aggregates, the Committee noted the marginal growth in broad money (M3) to 2.66 per cent in April 2020 from 2.42 per cent in March 2020, largely due to increases in Net Domestic and Foreign Assets. The growth in M3 was, however, significantly below the indicative benchmark of 13.09 per cent for 2020. Aggregate Net Credit also grew significantly by 8.07 per cent in April 2020 compared with 4.90 per cent in March 2020, although this remained below the indicative benchmark of 16.85 per cent for the year. The Committee, therefore, observed that there was relative scope for increased money supply to fund economic activities and boost output recovery.

In the review period, money market rates remained relatively stable reflecting the prevailing high liquidity condition in the banking system. Accordingly, weighted average Inter-bank call and Open Buy Back (OBB) rates decreased to 7.33 and 5.52 per cent in April from 10.29 and 11.78 per cent in March 2020, respectively.

The Committee observed that though the equities market was largely bearish in the first quarter of 2020, moderate improvement continued to be recorded since the beginning of the second quarter. Consequently, the All-Share Index (ASI) and Market Capitalization (MC) increased by 18.33 per cent a piece, between end-March 2020 and May 22, 2020. This bullish trend reflected improved investor sentiments in response to the mitigating measures introduced at the onset of the pandemic by the monetary and fiscal authorities and positive outlook in the global oil market. The MPC expressed confidence that the current monetary and fiscal policy measures would further strengthen investor confidence.

The Non-Performing Loans (NPLs) ratio decreased to 6.58 per cent at end-April 2020 compared with 10.95 per cent in the corresponding period of 2019 due

largely to recoveries, write offs and disposals. The development was adjudged by the Committee as a sign of reasonable stability in the banking system and urged the Bank to maintain its toolkit of prudential and regulatory measures to ensure that NPLs stay below the prudential benchmark of 5.0 per cent.

Outlook

The overall medium-term outlook for the global economy remains broadly uncertain as the COVID-19 pandemic and associated containment measures continue to disrupt normal economic activities across the globe. The global economy remains largely confronted with several headwinds, some of which include: weak aggregate demand due to declining consumer and investor confidence; disruption in global supply chains; shocks to oil and other commodity prices; continued lull in global financial markets; adverse shocks to global capital flows; as well as rising corporate debt in the advanced economies and public debt in some Emerging Market and Developing Economies.

Available data on key macroeconomic variables in the domestic economy indicate that the economy achieved a positive output growth during the first quarter of 2020. The Committee noted that even if the lag effects of COVID-19 result in a low negative output growth in the second quarter of 2020, it could quickly be reversed to avoid a recession by Q3 2020 based on the far-reaching measures taken by the monetary and fiscal authorities to mitigate the combined effects of the COVID-19 pandemic and oil price shock. Projections by both the IMF and Federal Government indicate that the economy would contract in 2020 by -3.40 per cent. Given more recent developments, however, CBN Staff projections indicate a somewhat less pessimistic range of contraction. This forecast is underlined by the measures to curtail the rapid spread of COVID-19; improvement in crude oil prices which stood at about US\$34.8 per barrel as at 28th May 2020. The moderate recovery in crude oil prices would reduce the pressure on the external reserves and government

revenue. Headwinds to growth, however, remains the legacy issues of the persistent infrastructural and security challenges.

The Committee's Considerations

Central to the Committee's considerations were the impact of the COVID-19 pandemic, the oil price shock and the likely short to medium-term consequences on the Nigerian economy. In particular, the Committee acknowledged the gradual improvement in macroeconomic variables particularly the improvement in the equities market, the containment measures of the COVID-19 induced health crisis, as well as, the impact of the increase in crude oil price on the external reserves.

The Committee noted the stability in the banking system shown by the increase in total asset by 18.8 per cent and total deposits by 25.52 per cent (year-on-year). The performance of the Loan-to-Deposit Ratio (LDR) policy which was introduced in July 2019 showed that total credits increased by N3.1 trillion or 20.45 per cent, with manufacturing, retail & consumer loans, general commerce and agriculture as major beneficiaries.

The Committee recognised that under the N100 billion Healthcare Sector Intervention Fund, the Bank has approved and disbursed N10.15 billion for some projects for the establishment of advanced diagnostic and health centres and the expansion of some pharmaceutical plants for essential drugs and intravenous fluids. As part of the N1trillion intervention targeted at Agriculture and Manufacturing firms, the Bank has disbursed N93.2bn under the Real Sector Support Fund to boost local manufacturing and production across critical sectors. This consists of over 44 greenfield and brownfield projects. The Bank has also approved N10.9 billion to 14,331 beneficiaries under the N50 billion Targeted Credit Facility for households and SME's, out of which N4.1 billion has been disbursed to 5,868 successful beneficiaries. The Committee directed Management to reach out to the banks to encourage them to offer

and disburse these funds to those priority sectors of the economy so as to stimulate aggregate demand and create more jobs.

The MPC appraised the Federal Government's resolve to maintain the core of its spending plans for 2020 as this remained vital for the attainment of the much-needed economic recovery. It also applauded the government's efforts at revising the oil price benchmark downwards to reflect prevailing conditions. It reiterated the urgent need for the Government to improve tax collections, through a gradual, but purposeful diversification of the economy's revenue base. The Committee also urged Government to remain focused on the implementation of the revised 2020 - 2022 Medium Term Expenditure Framework (MTEF) as the basis for sustainable fiscal policy.

The MPC emphasized the need for Government to work towards a gradual reopening of the economy in line with recommendations of the Presidential Task Force (PTF) and advice from medical experts, insisting that efforts must be directed at saving not only lives but also livelihoods. This is to enable the resumption of economic activities necessary to stimulate growth, accelerate the pace of recovery and restore livelihoods, particularly the vulnerable in our society.

On prices, the MPC expressed concern about the heightened inflationary pressure attributed to a combination of monetary and structural factors. While price stability remains the Bank's primary mandate, the Committee expressed the need for a balanced approach in supporting growth in the face of rising domestic prices.

With respect to output, the Committee urged the Federal Government to continue exploring options of partnership with the private sector to fund investment in infrastructure. This would aid employment generation, support production and boost output growth. The Committee also reiterated the need for foreign and domestic investments to support growth in key sectors of our economy, including Nigerian auto manufacturing, aviation and rail industries.

The Committee expects that on the backdrop of the various stimulus packages and increased credit at lower interest rates, the impact of the COVID-19 pandemic would be relatively less severe than had earlier been expected and the reversal in growth deceleration would become more optimistic.

The Committee commended the Bank's role in effective oversight of the banking system, as evidenced by the relative stability in key financial soundness indicators and systemic resilience of the banking sector, in the face of severe external shocks.

On the choice before the Committee, the MPC observed the weakening of the global macroeconomic environment due to the adverse impacts of COVID-19 and drop in crude oil prices, which has resulted in negative output in most economies. The MPC also feels that the logical expectation is that to ensure that the global economy reverses from the recession timely, what policy makers must do is to take actions that will necessarily stimulate growth and recovery. For Nigeria, although the Q1 2020 GDP turned out pleasantly at 1.87 per cent and rate of inflation somewhat moderated, Nigeria may escape a recession if concerted efforts are sustained to stimulate output.

Accordingly, on balance on whether to hold, loosen, or tighten, the MPC was of the view that tightening of policy stance is for now inappropriate. This is because tightening will result in further contraction of aggregate demand, leading to decline in output. Tightening will also increase cost of credit and reduce investment and impact negatively on output growth.

As regards the option of holding previous policy stance, the MPC felt that a hold may indicate that the monetary authorities are insensitive to prevailing weak economic conditions. There is, therefore, the need to signal a direction towards immediate recovery. The Monetary Policy Committee also feels that a hold decision may slowdown the trajectory of the weakened economy, compared with a loosening stance, thereby slackening output growth,

On loosening, whereas the Monetary Policy Committee is concerned that excess liquidity engendered by loosening may overshoot the economy's absorptive capacity and accelerate inflationary pressure, it nevertheless feels that given the slow rate of acceleration of inflation, the accommodative stance will stimulate aggregate demand and supply in the short term. This is because an accommodative stance, through a lowering of the policy rate will stimulate credit expansion to critically important sectors that will also stimulate employment and revive economic activity for quick growth recovery.

The MPC noted that if all stimulus packages already announced by the Bank such as concessionary rates, loan restructuring, and targeted loans to agriculture, manufacturing and health sector are well utilized, this will produce the desired impetus needed to boost economic recovery in Nigeria.

The Committee's Decision

After reviewing the three options, the MPC noted that the imperative for monetary policy at the May 2020 meeting was to strike a balance between supporting the recovery of output growth while maintaining stable price development across inflation, the exchange rate and market interest rates. To this end, the Committee noted that the Cash Reserve Requirement (CRR) was recently adjusted upwards as a means of tightening the stance of policy. In its response to the COVID-19 pandemic, however, the Bank reduced interest rates associated with all CBN interventions from 9 to 5 per cent. Increasing MPR at this stage will thus be counter-intuitive and will result in upward pressure on retail market rates.

The Committee maintained that although a sharp decline in output growth is expected in Q2 2020 and maybe the third quarter, if the current stimulus initiatives are properly implemented, the economy would reverse to positive growth by the fourth quarter. Hence the optimism on the part of the Committee that the economy may not slide into recession.

In view of the foregoing, the Committee decided by a unanimous vote to reduce the Monetary Policy Rate (MPR) and to hold all other policy parameters constant. Seven (7) members voted for a reduction of the policy rate by 100 basis points, two (2) members by 150 basis points and one (1) member by 200 basis points.

In summary, the MPC voted to:

- I. Reduce the MPR to 12.5 per cent;
- II. Retain the Asymmetric Corridor of +200/-500 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

28th May 2020



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 129 OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY 23RD AND TUESDAY 24TH MARCH 2020

The Monetary Policy Committee (MPC) met on the 23rd and 24th March 2020, amidst heightened uncertainty in the global macroeconomic environment arising from major disruptions associated with the outbreak of the Coronavirus Disease (COVID-19) and the oil price war between Saudi Arabia and Russia. The Committee assessed the developments in the global and domestic environments in the first quarter of 2020 and the outlook for the rest of the year, including the threats to capital flows, growing vulnerabilities across global financial markets, the probability of a global recession, risks to price and financial stability as well as the quick intervention by central banks to restore normalcy, with guidance for further action. Ten (10) members of the Committee were in attendance at this meeting.

Global Economic Developments

The Committee noted with concern, the combined demand and supply shocks to the global economy arising from the outbreak of COVID-19 and the oil price war between Saudi Arabia and Russia. It also noted the weakening performance of global output growth since January 2020, reflected in losses in global stock values; declining primary commodity prices, disruptions to the global supply chain associated with large scale global lockdown of mega metropolises and whole countries; and social distancing. Also, there has been adverse shocks to global capital flows; vulnerabilities and uncertainties in major financial markets; as well as rising corporate debt in the advanced economies and public debt in some Emerging Market and Developing

Economies (EMDEs). Consequently, global output growth in 2020 is projected to fall significantly below the initially projected level of 3.3 per cent.

Inflation in the advanced countries continues to trend below long run targets, except in the United States, especially in the light of prevailing headwinds and heightened global uncertainties. Central banks in the Advanced Economies have thus engaged in a coordinated approach with peers to embrace quantitative easing across every sector, notably in transportation, travel and tourism, health and setting up of social safety net funds, to stem the impact of these headwinds on aggregate demand and supply chains. In the EMDEs, price developments remained mixed with upward inflationary pressure in some of the key economies.

Domestic Economic Developments

Data from the National Bureau of Statistics (NBS) showed that growth in real Gross Domestic Product (GDP) continued to improve in Q4 of 2019. Consequently, real GDP grew by 2.55 per cent in the fourth quarter of 2019, compared with 2.28 and 2.38 per cent in the preceding and corresponding quarters of 2019 and 2018, respectively. Growth in Q4 2019, was driven largely by the strong performance of the oil sector, which grew by 6.36 per cent, though lower than 6.49 per cent recorded in the previous quarter, while the non-oil sector grew by 2.27 per cent. The Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMI) expanded, though at a lower rate in February 2020, for the 35th and 34th consecutive months to 58.3 and 58.6 index points, respectively. Staff projections indicate that real GDP in Q1 and Q2 2020 will slow because of the tepid global demand, resulting from the recent outbreak of COVID-19, depressed global aggregate demand and supply, and the oil price war which has resulted in supply glut and decline in crude oil prices. This muted outlook for the first half of the year may thus, dampen overall growth prospects for 2020. To mitigate this trend, the Bank took decisive action to safeguard the Nigerian financial system and the economy from the emerging headwinds. The key policies include: provision of extended

moratorium on loans by an additional 1 year beginning from March 2020. This is to ease pressure on loan repayments. The Bank also reduced interest rates from 9 to 5 per cent on its existing intervention programmes over the next one year; created a N50 billion fund to support households and Small and Medium Enterprises (SMEs) affected by COVID-19; introduced credit support for the healthcare sector; introduced regulatory forbearance to consider temporary and time-limited restructuring of loan terms and tenors to households and businesses affected by COVID-19, and strengthened the loan-to-deposit ratio (LDR) policy. The Bank also announced an intervention fund of N1.1 trillion to cushion the adverse effects of the Coronavirus outbreak on the economy. The sum of N1.0 trillion from this amount will be used to support local manufacturing to boost import substitution, while the balance of N100 billion will be used to support the health services sector and products through the provision of loans to the pharmaceutical companies, hospitals and other health practitioners to build new hospitals and health facilities or expand existing ones to first class health centres. This is in addition to the N1.5 trillion private sector driven Infracore Project fund, designed to target the construction of critical infrastructure across the country. In addition, pharmaceutical companies would be assisted through loan interventions to re-establish drug manufacturing firms in Nigeria and curtail the spread of the corona virus. In summary, it is expected that through these interventions, about N3.5 trillion would be injected as stimulus to support the Nigerian economy during this trying time.

The Committee noted the continued uptick in headline inflation (year-on-year) for the sixth consecutive month to 12.20 per cent in February 2020 from 12.13 per cent in the previous month. The increase in inflation, was largely attributed to increases in the food and core components, which rose to 14.90 and 9.43 per cent in February 2020, from 14.85 and 9.35 per cent in January 2020, respectively. This was driven by shocks to food prices associated with renewed insurgency in major food producing areas of the Country and persisting infrastructural deficits.

The MPC observed that broad money supply (M3) contracted for the second consecutive month by 2.29 per cent (year-to-date) in February 2020, reflecting the decline in Net Foreign Assets and Net Domestic Assets. Specifically, the contraction in M3 was driven primarily by a decline in securities other than shares and currency outside depository corporations in the review period. Net Aggregate Credit, however, grew by 1.34 per cent in February 2020.

The Committee noted with satisfaction the growth in aggregate credit by N2.35 trillion since the inception of the LDR policy, reflecting the potency of the policy and thus urged the Management of the Bank to sustain the current momentum of improved flow of credit to the private sector in Nigeria. It emphasized the need for coordination with the fiscal authorities, to strengthen access to credit to some critical sectors of the economy, including the weak and vulnerable population, particularly those in the informal sector through the setting up of a special fund, as well as support the enforcement of credit recovery. Accordingly, sectoral distribution of credit between end-May 2019 and end-February 2020 was as follows: Manufacturing (N533.06 billion); General Retail and Consumer Loans (N380.71 billion); General Commerce (N229.87 billion); Agriculture, Forestry and Fishing (N163.04 billion); Information and Communications (N163.69 billion); Finance and Insurance (N131.20 billion); Construction (N112.25 billion); and Transportation and Storage (N45.42 billion), amongst others.

The Committee noted the dismal performance in the equities market as the All-Share Index (ASI) decreased by 17.30 per cent and Market Capitalization (MC) by 10.73 per cent between end-December 2019 and March 20, 2020. The decline was largely attributed to profit taking and divestment by foreign portfolio investors, the delisting of shares of three quoted companies and capital outflow associated with the COVID-19 and subdued global economic activity.

The MPC noted the continued resilience of the banking system, evidenced by the further moderation in the ratio of Non-Performing Loans (NPLs) from 6.59

per cent in January to 6.54 per cent in February 2020. Although the ratio remained above the prudential benchmark of 5.0 per cent, the Committee expressed confidence in the Bank's regulatory regime and commitment to maintaining stability in the banking system.

Outlook

The overall medium-term outlook for the global economy remains uncertain with increased deterioration in financial market conditions and weak global output growth. The major headwinds to the current projection for global growth includes: disruption to the global supply chain arising from the COVID-19 pandemic; oil price downturn as a result of subdued global demand, vulnerabilities in major financial markets; rising corporate debt in the advanced economies and public debt in some Emerging Market and Developing Economies; as well as broad uncertainties leading to adverse shocks to foreign investment flows.

On the domestic front, available data on key macroeconomic variables indicate the likelihood of subdued output growth for the Nigerian economy in 2020. Based on the current downturn in oil prices, staff projections indicate that output in the 2020 would be less than earlier envisaged. The major downside risks to this outlook, however, include: the continued spread of COVID-19; further decline in crude oil prices and the reduction in accretion to external reserves; reduced government revenue leading to weak aggregate demand; declining non-oil receipts; as well as infrastructural and security challenges. These headwinds will, however, be partly mitigated by: the timely and effective response of the monetary and fiscal authorities in containing the spread of the COVID-19 viral infection, the recalibration and adjustment of the 2020 Federal Budget to the revised thresholds while pegging expenditure to critical sectors of the economy, adoption of a new fiscal regime to encourage the build-up of fiscal buffers; sustained CBN interventions in selected sectors; enhanced flow of credit to the real sector and deliberate policies to diversify the Nigerian economy.

The Committee's Considerations

The Committee reviewed the prevailing adverse conditions in the global economy such as the COVID-19 pandemic and the oil price shock as well as the likelihood of continued oil supply glut into the near future, focusing on the impact of these headwinds on the Nigerian economy.

The Committee observed that not only will the COVID-19 pandemic result in health crises, it will also result in massive economic crises that will force many countries into recession, including the leading industrialised countries. The MPC took into cognisance the impact of the decline in oil prices on accretion to external reserves and the emergence of exchange rate pressures. The Committee thus commended and endorsed the Management of the Bank for its prompt response with the adjustment of the exchange rate to uniform market rates and the removal of distortions. It, however, took note of the likely impact of the exchange rate adjustment on the economy.

The Committee noted the weakened revenue position of the Federal Government, arising from the sharp drop in oil prices. It reiterated the need for government to urgently reduce reliance on oil revenue by gradually diversifying the economy and improving tax collection. To this end, the MPC noted the speedy response of the Federal Government to the oil price shock by the revision of the 2020 budget downwards by N1.5 trillion and the oil price benchmark to US\$30 per barrel. The MPC urged the NASS to fully cooperate with the Federal Government in coming up with a budget that reflects our new realities. In addition, the Committee noted the introduction of price modulation measures, resulting in reduction in the pump price of PMS from N145 to N125 per litre and its contributory effect in boosting aggregate demand, lowering inflation and improving the welfare of the ordinary Nigerians.

The MPC further noted the persistence of inflationary pressures attributed to a combination of monetary and structural factors, and thus urged the Federal

Government to leverage on Public Private Partnership (PPP) to intensify investment in infrastructure to increase output and employment. The Committee cited the potentials for Foreign Direct Investment (FDI) flows to the Nigerian auto manufacturing, aviation and rail industries, which could take advantage of these viable and untapped domestic and regional markets.

The Committee noted the sustained improvement in the financial soundness indicators, applauding the continued decline in the ratio of non-performing loans, growth in assets of the banking system and profitability of the industry in the light of increasing global uncertainties. It also recognised the success of the Bank's loan-to-deposit ratio policy and its potential to alleviate production shortfalls, reduce unemployment and boost aggregate demand, urging the Bank to pursue this and other related policies to a conclusive end.

The MPC underscored the COVID-19 pandemic as a public health crisis which will continue to undermine any monetary or fiscal stimulus unless appropriate measures are taken to trace, test, isolate and treat infected persons in order to curtail the spread, while ensuring that migration across the country is significantly reduced. The MPC, therefore, called on the Federal Government to take the necessary steps to safeguard the population through close monitoring and emergency readiness measures to identify and care for infected persons in the country, including compulsory restriction of movement to curtail spread of the pandemic.

On the choices before the Committee, the MPC noted the recent actions of the Bank, targeted at strengthening the resilience of the financial system and alleviating the initial impact of the crisis. In its wisdom, the Committee felt that tightening would result in reining in the rising trend in inflation, and that it would support reserve accretion. However, it would reduce money supply and limit DMBs credit creation capacity, thus resulting in increasing the cost of credit, with adverse impact on output growth. Tightening would also result in a reduction in aggregate demand as a fall in disposable income results in output

compression; whereas at this time, policy emphasis should be on stimulating aggregate supply and demand, both already weakened by COVID-19.

With respect to loosening, whereas the Committee felt it would stimulate the economy in the short term, and boost aggregate supply and demand, the Committee nevertheless, was of the view that there was a need to be cautious in loosening given the fact that it would exacerbate an already worsening inflationary condition, resulting in massive pressure on reserves and the exchange rate.

Based on the balance of these arguments, the MPC, in taking note of the recent actions already taken by the Management of the Bank in response to the COVID-19, resolved to allow time for the measures to permeate the economy while allowing the pandemic to wear out its plateau before deciding on further supporting policy measures to boost and strengthen aggregate demand and supply in the recovery phase of the economy. The choice to hold also considered the subsisting LDR and the DCRR policies, which sterilize excess liquidity in the banking system, hence an increase in the MPR would be counter-productive.

The monetary policy stance arrived at this meeting took cognisance of the need to address the unfolding unfavourable macroeconomic developments, rein in inflation, support growth and employment through the extant interventions and recent initiatives, check capital outflows and support external reserves accretion, and dampen pressure and ensure foreign exchange market stability.

A review of the policy options indicates relative tightness of the current monetary policy stance. The CRR was increased at the last MPC meeting. Time is required for its full effects to manifest. Increasing the MPR will be contradictory to the recent reduction of interest rate in the CBN intervention windows from 9 to 5 per cent. Besides, an increase in MPR will be taken by the Deposit Money Banks (DMBs) as an invitation to increase lending rates and this

will be most undesirable at this point in time when efforts are being made to avert a recession. Besides, a reduction in the MPR, will not encourage the DMBs to reduce lending rates. But other strategies of the CBN are making the DMBs to reduce lending rates in furtherance of the growth objective.

The Committee's Decision

The Committee noted the continued rise in domestic prices; the glut in oil supplies and low oil prices in the wake of the current global shocks; exchange rate pressure and other domestic monetary and fiscal responses to the evolving crises. In view of the foregoing, the Committee decided by a unanimous vote to retain the Monetary Policy Rate (MPR) at 13.5 per cent and to hold all other policy parameters constant.

In summary, the MPC voted to:

- I. Retain the MPR at 13.5 per cent;
- II. Retain the asymmetric corridor of +200/-500 basis points around the MPR;
- III. Retain the CRR at 27.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele
Governor, Central Bank of Nigeria
24th March 2020



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 128 OF THE MONETARY POLICY COMMITTEE MEETING HELD ON THURSDAY 23rd AND FRIDAY 24th JANUARY, 2020

The Monetary Policy Committee (MPC) held its 271st meeting, the first in fiscal 2020, on the 23rd and 24th of January, 2020. The Meeting held in an environment of sluggish global economic recovery and financial market vulnerabilities, and tepid domestic growth. The Committee appraised these developments and the outlook for the first quarter of 2020, as well as the rest of the year. All the Eleven (11) members of the Committee were in attendance.

Global Economic Developments

The headwinds that characterized the global economy in 2019 showed signs of moderation, giving way to improved prospects for economic recovery in 2020. Consequently, global output is projected to grow by 3.3 per cent in 2020 from 2.9 per cent in 2019. The downside risks to the global outlook, include: broad slowdown in the advanced economies; resurgence of financial stress in the Emerging Markets and Developing Economies (EMDEs); rising geo-political tensions in the

Middle-East; and extreme weather conditions in some regions. Output growth across major advanced economies, remains fragile, due to weak recovery in manufacturing activities and sluggish rise in global trade. Consequently, growth in the Advanced Economies is projected to slow to 1.6 per cent in 2020, from 1.7 per cent in 2019. With most EMDEs facing brighter prospects, output growth is expected to recover to 4.4 per cent in 2020 from 3.7 per cent in 2019. The major impetus for this recovery is expected to come from India, Brazil and Russia.

In most advanced economies, inflation remained below their long-run targets, reflecting weak aggregate demand in the Euro Area and Japan, as well as moderating wage growth in the US, despite the robust job performance. Central Banks in the advanced economies are thus, expected to continue with monetary accommodation into the medium term. In the EMDEs, however, inflation prospects remain mixed, with some economies facing stronger upside risks than others.

Domestic Economic Developments

Real Gross Domestic Product (GDP) continued to improve, although slowly. It grew to 2.28 per cent in the third quarter of 2019, compared with 2.12 and 1.81 per cent in the preceding and corresponding quarters of 2018, respectively. The improvement in growth was driven, largely, by the performance of the oil sector, which grew by 6.49 per cent, while the non-oil sector grew by 1.85 per cent. Staff projections estimate real GDP in Q4 2019 and Q1 2020 at 2.20 and 2.35 per cent,

respectively. The Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMI) grew further in December 2019, for the 33rd and 32nd consecutive months, to 60.8 and 62.1 index points, respectively. The optimism in growth prospects in Q1 2020, and the rest of the year, is anchored on the enhanced flow of credit to the private sector, to improve manufacturing activities, and financial and exchange rate stability. In addition, the Bank's continued intervention in Agriculture, and Small & Medium Scale Enterprises (SMEs) is expected to boost growth. Identified headwinds to growth, however, include; uncertainty in the oil market, high unemployment, rising public debt and security challenges across the country.

The Committee noted the continued uptick in headline inflation (year-on-year) in December 2019 to 11.98 per cent, from 11.85 per cent in the previous month. The increase in inflation, which was anticipated, was largely attributable to increase in both the food and core components, by 14.67 and 9.33 per cent in December 2019 from 14.48 and 8.99 per cent in November, respectively.

The increase in the food component reflects largely seasonality effect and the impact of the continued insurgency in some food producing areas of the country. Although, Staff forecasts suggest a short-term upward trend in prices, the Committee believes that the Bank's continued intervention in the real sector is expected to increase domestic production and lower prices in the medium-term.

The Committee observed that broad money supply (M3) grew by 6.22 per cent (year-to-date) in December 2019. Aggregate Credit (Net) similarly grew to 27.33 per cent in December 2019, from 23.12 per cent in the previous month. This was largely attributed to an increase in Credit to Government, which grew to 92.95 per cent in December 2019, from 72.36 per cent in the previous month. Credit to the Private Sector also grew to 13.61 per cent in December 2019, from 12.82 per cent in the previous month. Consequently, sectoral distribution of credit between end-May 2019 and end-December 2019 was as follows: manufacturing (N446.44 billion); General Retail and Consumer Loans (N419.02 billion); General Commerce (N248.48 billion); Agriculture, Forestry and Fishing (N160.94 billion); Information and Communications (N156.47 billion); Finance and Insurance (N129.87 billion); Construction (N86.54 billion); and Transportation and Storage (N68.61 billion), amongst others. The Committee observed with delight that, over the last six months, aggregate credit grew by N2.0 trillion and urged the Management of the Bank to sustain the current momentum of improved flow of credit to the Private Sector, while exploring other options with the fiscal authorities to strengthen the legal framework for the enforcement of credit recovery.

Lower money market interest rates, in the review period, reflected the liquidity overhang in the banking system, resulting from the restriction of individuals and non-bank corporates in the domestic economy from participating in OMO bill auctions. Consequently, the monthly weighted average Inter-bank call and Open Buy Back (OBB) rates fell

sharply to 3.82 and 3.24 per cent, in December 2019, from 11.42 and 10.73 per cent, respectively, in the previous month.

The Committee noted the improved performance in the equities market, as the All-Share Index (ASI) and Market Capitalization grew by 11.61 and 18.27 per cent, respectively, between end-October 2019 and 10th January, 2020. This was indicative of the shift by domestic investors from the money market to the equities market in response to the Bank's policy to restrict their investments in the OMO bills auction.

The MPC also noted the improved performance and sustained resilience of the banking system, evidenced by the continued moderation of the Non-Performing Loans (NPLs) ratio from 6.6 per cent in October to 6.1 per cent in December 2019. The Committee noted that the improvement reflected the Bank's continued deployment of heterodox policies to ensure that NPLs fell below the prudential benchmark of 5.0 per cent.

Outlook

Although global output is projected to expand moderately in 2020, compared with the previous year, the overall medium-term outlook for the global economy remains uncertain, due to the persistence of several headwinds. These include: the lingering trade tensions between the US and its major trading partners; rising levels of both corporate and public debts; continued geopolitical tensions in the Middle-East; fragile recovery of manufacturing activities; and the

narrowing policy space by which central banks in the advanced economies can respond to future macroeconomic shocks. In addition, predicted weather-related disasters could pose further threats to global output recovery.

On the domestic side, available data on key macroeconomic indicators show prospects of improved output growth for the economy in 2020. Revised projections for 2020, show that the economy is expected to grow by 2.50 per cent (IMF), 2.10 per cent (World Bank) and 2.35 per cent (CBN). The underlying projection is anchored on the following conditions: enhanced flow of credit to the real sector of the economy; sustained stability in the exchange rate; continued CBN interventions in agriculture and non-agricultural Small and Medium Enterprises (SMEs); and the effective implementation of the Economic Recovery and Growth Plan (ERGP). The downside risks to this projection are primarily the rising stock of public debt and lack of fiscal buffers. Others include the persistent security threat in major food-producing areas, poor and inadequate infrastructure and weak public and private sector investment.

The Committee's Considerations

The Committee noted the persistent increase in the inflation rate, which stood at 11.98 per cent in December 2019. It also noted that the inflation was driven by both monetary and structural factors. Having addressed the monetary factors, the headroom for further monetary policy measures has become constrained, being

supported by empirical evidence which suggests that inflation above 12.00 per cent is inimical to output growth in the Nigerian economy. The MPC thus called on the fiscal authorities to speedily address legacy structural impediments giving rise to upward-trending price developments. Amongst these, the Committee identified infrastructure deficit and the long-standing clashes between herdsmen and farmers, which are constraining domestic production and contributing substantially to the rise in food inflation. The MPC, therefore, urged the Federal Government to relentlessly seek innovative ways of addressing security challenges across the country in order to boost aggregate food supply. The Committee further noted the contribution of imported food and other tradeables to the rise in price levels but emphasized the opportunity to ramp up production of domestic substitutes supported by the Bank's development finance initiatives, particularly in agriculture and manufacturing sectors.

The Committee noted the improvement in the financial soundness indicators, growth in assets of the banking system and the gradual switch in the composition of DMB assets from investments in government securities to growth in credit portfolio. It, however, noted that lending rates at the retail segment of the market had remained fairly sticky downwards as deposit rates had declined substantially. It also noted that in some cases, DMBs were not encouraging term deposits in their portfolios and therefore, emphasized the Bank's

commitment towards the implementation of the Loan-to-Deposit ratio (LDR) policy.

On fiscal operations, the Committee applauded the Government for the recent signing of the 2020 Finance Bill which opens a new vista of opportunities in public financial management. The MPC, however, cautioned that public debt was rising faster than both domestic and external revenue, noting the need to tread cautiously in interpreting the debt to GDP ratio. The Committee also noted the rising burden of debt services and urged the Fiscal Authorities to strongly consider building buffers by not sharing all the proceeds from the Federation Account at the monthly FAAC meetings to avert a macroeconomic downturn, in the event of an oil price shock.

It urged Government to gradually reduce reliance on oil receipts and focus on revenue diversification through reforms of the tax system. The Committee also called on Government to rationalize fiscal expenditure towards reducing the current excessively high cost of governance.

The MPC expressed concern about the rising inflation, which increased consecutively in the last 4 months as at December 2019 to 11.98 per cent and higher than its target range of 6-9%. This rising price level is attributable to a combination of structural and supply side factors, expansionary fiscal policy; and growth in money supply arising from rising liquidity surfeit in the industry due to changes in the Bank's OMO policy. In furtherance of its primary mandate to maintain price

and monetary stability and in view of the anticipated medium-term liquidity surfeit from maturing OMO bills held by local private and institutional investors, which would not be rolled over, the Committee considered it prudent to raise the CRR to curtail liquidity surfeit in the banking system.

The Committee is confident that increasing the CRR at this time is fortuitous as it will help address monetary-induced inflation whilst retaining the benefits from the Bank's LDR policy, which has been successful in significantly increasing credit to the private sector as well as pushing market interest rates downwards. The Committee further encouraged the Management of the Bank to be more vigorous in its drive to improve access to credit through its pursuit of the Loan-to-deposit ratio policy as doing this would help, not only in creating job opportunities but also help in boosting output growth and in moderating prices. It is noteworthy that Gross credit in the industry grew by N2 Trillion between May 2019 and December 2019; channeled primarily to the employment-stimulating sectors such as agriculture and manufacturing, in addition to increased lending to the retail and SME segments, which is expected to help boost domestic output growth in the short to medium term. To retain the gains from credit expansion and current industry focus on lending, the Committee advised the Bank to sustain its LDR Policy and in addition continue to deploy its DCRR policy which directs new funding for greenfield projects and expansion to critical sectors of the economy.

The Committee's Decision

On the arguments to tighten, the Committee noted that given that inflation rate inched up in December 2019 and that the rate is still above the upper band of the 6-9 per cent threshold, tightening may be necessary to tame the rising trend in inflation. In addition, the relatively bearish outlook of the equities market indices points to waning investor confidence in equity in preference for coupon rate on bonds. Raising the policy rate, could be a policy choice to reverse the tendency and attract more foreign portfolio investments. Also, the risks to the level of reserves persist as prices of oil futures remain uncertain. Policy tightening would enhance the accretion to foreign reserves and attain relative stability in the foreign exchange market. Moreover, raising rates would reinforce the stability of the foreign exchange market as an upswing in the rate will inhibit demand pressures in the market through a decline in money supply.

Although tightening would limit the ability of DMBs to create money, ultimately leading to a reduction in money supply and curtail their credit creation capabilities, which would eventually lead to rising cost of credit and credit risk as DMBs re-price their risk assets, the MPC believes that the aggressive pursuit of the current loan-to-deposit ratio policy thrust would continue to help to catalyze credit growth and positively impact growth and prices.

On the decision to loosen, members noted that the relative stability in the foreign exchange market provides confidence to foreign

investors. There is, therefore, no immediate concern that loosening would exert pressures on the foreign exchange market in the near term. In addition, an accommodative monetary policy stance would motivate banks to lend to maintain their profit performance and would result in decline of the overall cost of production. This would further affirm the Bank's support for stimulating output growth.

The Committee also feels that the downside to loosening is that it could amplify inflationary pressures as the economy experiences increased liquidity surfeit, particularly if loosening drives growth in consumer credit, without corresponding adjustment in output, thus escalating inflationary pressures. An interest rate reduction would increase money supply and exert pressure on the exchange rate. Moreover, an accommodating monetary policy stance may not necessarily lower the retail lending rate, as interest rates are generally sticky downwards.

On the argument for a Hold, the MPC acknowledged that a mix of heterodox monetary and financial policy measures have recently been deployed by the Bank. Noting the existence of a lag between the policy pronouncement and its impact on the economy, a hold in the rate would ensure its efficient impact on the economy. The Committee noted the slow pace and low rate of economic growth as real GDP growth of 2.10, 2.12 and 2.38 per cent in Q1, Q2 and Q3 2019, respectively, being below the population growth rate, still needs

sustained policy support. Maintaining monetary policy rate at its present level is essential for sustainable support to growth before any possible adjustments. This will enable policy to react suitably to developments as they occur in the near term. In addition, retaining the current policy position provides avenues to evaluating the impact of the heterodox monetary and financial policies to support lending by the banking industry without altering the policy rate.

On the downsides to holding, the Committee noted that it would reduce the speed of economic recovery relative to loosening, exert a drag on output growth, as DMBs continue to utilize bonds sales instead of engaging in financial intermediation to the private sector.

In view of the foregoing, the Committee by a decision of 9 members, voted to alter the Cash Reserve Requirement (CRR) by 500 basis points from 22.5 to 27.5 per cent, while leaving all other policy parameters constant. Two members voted to leave all parameters constant.

In summary, the MPC voted to:

1. Change the CRR from 22.5 to 27.5 per cent;
2. Retain the MPR at 13.5 per cent;
3. Retain the asymmetric corridor of +200/-500 basis points around the MPR;
4. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

24th January, 2020



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 127 OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY 25th AND TUESDAY 26th NOVEMBER 2019

The Monetary Policy Committee (MPC) met on the 25th and 26th of November 2019 in an environment of continued global macroeconomic uncertainty, but gradual improvements in the domestic economy. The Committee appraised the developments in both the global and domestic economies, as well as the outlook for the rest of the year and the first quarter of 2020. All the eleven (11) members of the Committee were in attendance.

The Committee reviewed the effect of monetary policy on developments in the economy in 2019, particularly, price stability, improved credit delivery, low interest rate regime, exchange rate stability, financial system stability, reduction in non-performing loans (NPLs), job creation and output growth.

The Committee noted the use of home-grown heterodox policies used by the Bank to successfully achieve substantial macroeconomic stability in 2019. Amongst the policies were the use of the Global Standing Instruction (GSI) to address the predatory impact of serial borrowers in the banking system, a phenomenon that reduced the level of NPLs over time, the Loan to Deposit Ratio (LDR) to boost credit delivery by the deposit money banks (DMBs) to the real sector, Differentiated Cash Reserve Requirement (DCRR), Development Finance Initiatives in agriculture, micro, small and medium enterprises (MSMEs) and other real sector activities, including restriction of patronage by local corporate and individual investors in CBN OMO bills.

Global Economic Developments

Global output growth remained weak due to the impact of the trade war between the US and China; growing vulnerabilities in the financial markets, downturn in global manufacturing, sustained downward pressure on oil prices, lingering uncertainty around BREXIT, which has continued to dampen

investment growth in the United Kingdom, subdued growth in the European Union and Japan, and dampening output growth in China. These headwinds resulted in slowing global trade, weakening aggregate demand and contraction in the aggregate supply chain. Major Emerging Market and Developing Economies (EMDEs) particularly China and India also slowed, while South Africa, Russia and Brazil, recorded slower-than-expected growth. Consequently, there was a broad slowdown in global output. In the light of these developments, the IMF revised global growth forecast downwards to 3.0 per cent in October 2019 from its previous projection of 3.2 per cent in July 2019.

Inflation in most Advanced Economies remained well below their long-run objectives, with price development staying subdued and unemployment trending mostly below the Non-Accelerating Inflation Rate of Unemployment (NAIRU). In the US, wage growth and aggregate demand continued to perform below the long run average even though unemployment remained below the NAIRU. Consequently, the recent trend towards monetary accommodation by key central banks is expected to continue into the foreseeable future. In key EMDEs, however, prices trended upwards with the output gaps widening and unemployment remaining relatively high.

Domestic Economic Developments

Data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) grew by 2.28 per cent in the third quarter of 2019, compared with 2.12 and 1.81 per cent in the preceding and corresponding quarters, respectively. The improved growth was driven largely by the performance of the oil sector, which grew by 6.49 per cent, while the non-oil sector grew by 1.85 per cent. The Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMI) also expanded for the 31st and 30th consecutive months at 58.2 index points, apiece, in October 2019. Staff projections indicate that real GDP in Q4 2019 is expected to grow by 2.38 per cent, driven by the non-oil sector. Headwinds to this projection, include: continued high level of unemployment, mild resurgence of anticipated

inflationary pressures towards the December festive season, rising public debt, high level of insecurity, and slow pace of oil price recovery. Despite these headwinds, growth is expected to pick on the back of recent actions to boost credit to the private sector through the recent Loan-to-Deposit Ratio (LDR) and Global Standing Instruction (GSI) initiatives, sustained interventions by the Bank in selected employment and growth-enhancing sectors, as well as fiscal policy measures to support growth.

The Committee noted the uptick in headline inflation (year-on-year) from 11.24 in September to 11.61 per cent in October 2019. This was anticipated as part of the seasonal end-of-the year uptick in prices; but was further accentuated by the border closure, an expected temporary food supply shock which will adjust over the medium-to-long term as the economy increase investments in food production. Consequently, food inflation rose from 13.51 to 14.09 per cent in September and October 2019, respectively. Core inflation, the underlying inflation in the economy, however, declined marginally from 8.94 to 8.88 per cent in September and October, respectively. The decline observed in core inflation was attributed to the relative stability in the foreign exchange market. The Nigerian land borders were closed to address the incidence of increased cross-border banditry, smuggling and dumping, insurgency and the illegal trade practices of neighbouring countries whose economies had become dependent on Nigeria through smuggling through the borders. The Bank's continued intervention in the agricultural sector is expected to improve medium-term food supply. Indeed, there has been reports of bumper harvest in some staples like rice, maize, etc.

The Committee observed that broad money supply (M3) grew by 5.72 per cent (year-to-date) in October 2019, compared with the 2019 indicative benchmark of 16.08 per cent. Growth in Net Domestic Credit (NDC) moderated to 26.38 per cent in October 2019 from 30.33 per cent in the previous month. This was attributed to a significant reduction in credit to Government in October 2019 to 85.99 per cent from 114.79 per cent in the previous month. Growth in credit to the private sector, however, improved to 13.08 per cent in October 2019 from 12.49 per cent in the previous month,

reflecting the impact of the Bank's recent policy on loan-to-deposit ratio. An increase in absolute gross credit, amounting to N1,169.70 billion, was recorded between end-May and end-October 2019. Consequently, the manufacturing sector received N459.69 billion, the highest in two decades. This was followed by consumer loans of N356.65 billion, General Commerce (N142.98 billion), Information and Communications (N82.07 billion), Construction (N74.52 billion), Agriculture, Forestry and Fishing (N73.20 billion), Mining and Quarrying (N3.64 billion) and Transportation and Storage (N3.09 billion), amongst others. The Committee, therefore, urged the Management of the Bank to sustain its current efforts to improve lending to the private sector and to explore other initiatives to provide funding to other critical sectors of the Nigerian economy.

In the review period, money market interest rates reflected the prevailing liquidity conditions in the banking system. Overall, the monthly weighted average Inter-bank call and Open Buy Back (OBB) rates fell to 7.87 and 7.22 per cent, respectively, in October 2019, from 11.41 and 10.73 per cent, respectively, in September 2019.

The Committee noted that the persisting bearish trend in the equities market, had started to abate in November 2019, and was pleased by the increased patronage in the sovereign bonds market. The All-Share Index (ASI) grew by 2.41 per cent to 26,991.42 index points on November 22, 2019, from 26,355.35 index points at end-October 2019. Market Capitalization (MC) also grew by 1.54 per cent to N13.03 trillion on November 22, 2019, from N12.83 trillion at end-October 2018, due largely to portfolio shift from short-term Government securities to the equities market.

The MPC also noted the improved resilience of the banking system, as the Non-Performing Loans (NPLs) ratio declined further to 6.56 per cent at end-October 2019 from 6.67 per cent at end-September 2019 and from 14.05 per cent in October 2018. The Committee, however, noted that this figure remained above the prudential benchmark of 5.0 per cent, and urged the Bank to sustain its current efforts, which have created this exorable prudential regime.

Outlook

Overall, the medium-term outlook for the domestic and global economies continue to be clouded with uncertainties, associated with the persisting trade wars between the US and its major trading partners, financial vulnerabilities, rising levels of public and corporate debts, pockets of geopolitical tensions and weakening global output. However, the reforms underway in the domestic economy; aimed at diversification away from oil over the last three years have provided adequate shock absorber to withstand the headwinds. However, the Committee urged the fiscal authorities to invest massively in public works programme and improve fiscal buffers to complement these efforts.

Forecasts of key macroeconomic variables, however, indicate prospects of improved output growth for the economy. Based on recent revised projections, the economy is expected to grow in 2019 by 2.3 per cent (IMF estimate), 2.1 per cent by the World Bank, and 2.20 per cent by the CBN. The Committee noted the tailwinds to these developments, to include: sustained stable exchange rate; enhanced flow of credit from the Deposit Money Banks (DMBs) to the private sector; expected improvements in tax revenue and efficiency in public expenditure; continued improvement in the business environment and activities; and the sustained interventions by the Bank in the real sector.

The Committee's Considerations

The Committee welcomed the improvements in output growth in the third quarter of 2019, noting that the current direction of the Purchasing Managers Index suggests stronger growth in the fourth quarter. It however, re-emphasized the need for diversification to strengthen the productive base of the economy and reduce dependence on oil. Diversification has become necessary now that Nigeria has signed the African Continental Free Trade Agreement (AfCTA). To achieve this, the Committee urged the Federal Government to continue to improve the investment climate and ease of doing business to attract Foreign Direct Investment. Particularly, Government should, as a

priority, improve conditions for global auto manufacturers, including for aviation and rail industries to invest in the country.

The Committee commended the expansion in manufacturing output, noting that it was a direct fallout of the policy on loan-to-deposit ratio. The Committee, called on Government to urge the Pensions Commission to improve the prudential requirements for Pension Funds to refocus their investment portfolio away from their traditional choice of Government securities in favour of other viable long-term investments in real estate, manufacturing and agriculture; and indeed infrastructure. Moreover, the Committee called for strong visibility of fiscal and structural policies to improve infrastructure and investment conditions in the economy. It expressed strong optimism that the current policies of the Bank, in a regime of solid fiscal and structural policy support, would yield strong dividends in closing the current negative output gap in the medium to long term, and place the economy on a sustainable and self-sufficient path of output growth.

As a key pillar of economic diversification, the MPC directed the attention of the fiscal authorities to the immense potentials of the gas sub-sector and the urgency to encourage horizontal integration through private sector participation. This, the Committee argued will improve domestic power supply and export earnings.

On price developments, the Committee considered the moderate uptick in headline inflation in October 2019, attributing it partly to an expected temporary shortfall in food supply because of the recent land border closure and rise in demand as the festive season approaches. Although it noted that the price increase was not unexpected, the Committee believed that the medium to long-term benefits far outweigh the short-term cost. Consequently, it noted the need to drive down food prices through increased support for local production of staples foods, including rice, fish, poultry, palm oil, tomatoes etc. It also urged the Government to follow through with a sustainable policy on backward integration in the milk industry and other priority sectors of the economy.

On the fiscal sector, the Committee identified the need for institutional reforms through policies that would automate day to day processes of key revenue generating and security agencies such as the Nigerian Customs. This would provide additional advantage of stemming smuggling, kidnapping and the migration of terrorists into the country. The MPC reiterated the need for increased efficiency in public expenditure and the building of fiscal buffers.

On the impact of the recent closure of Nigerian land borders on domestic food prices, the Committee noted that any upward price movement arising from the closure was reactionary and therefore temporary. Moreover, significant investment has been made over the last three years to sustainably increase domestic food supply. It noted some of the key initiatives in this direction to include: the Commodity Development Initiatives, designed to finance the agricultural value chain of ten ((10) commodities namely; Cassava, Cocoa, Cotton, Rice, Tomato, Poultry, Livestock and Dairy, Fish, Oil Palm and Maize, which has received N171.66 billion in funding. Four of these crops received over 140.12 billion naira or 81.6 per cent of total disbursements (Cassava, 11.44 billion naira; Cotton, 40.47 billion naira; Rice, 53.40 billion naira; Oil palm, 34.81 billion naira). It is, therefore, expected that the outcome of these interventions will close the supply gaps already envisaged in the medium to long term, including dampening domestic prices. It thus, expressed support for the temporal closure of Nigeria's land borders, noting that securing the country's land borders should be further enhanced.

On crude oil price, the Committee noted the lull in the futures market, suggesting that prices would remain relatively weak into the foreseeable future. The Committee, therefore, urged the Federal Government to reconsider its 2020 budget oil price benchmark of US\$57 per barrel, to build fiscal buffers.

The Committee was confident that despite the weaknesses from the external sector, efforts to ramp-up domestic production, through several measures by both the monetary and fiscal authorities, would douse the adverse effects on the domestic economy in the medium term, through the reduction of importation of food and other commodities.

The Committee's Decision

The MPC reviewed the upsides and the downsides of the options to tighten, hold or loosen. It was conscious that, while tightening may encourage capital inflows, it also has the downside consequence of constraining the already nascent recovery in output growth. The Committee also noted that a reduction in the policy rate will improve growth prospects, but in view of the uptick in inflationary pressures, it decided that the balance of risks was in favour of protecting price stability. Considering the recovery, decline in market interest rates, growth in domestic credit amongst other positive developments, the Committee felt that there would be more gains in the short to medium term in holding policy at its current position.

In its consideration to hold, the MPC noted with pleasure, the positive outcome of actions already taken by the Bank. These actions include: current policy on loan-to-deposit ratio, which has resulted in loans and advances rising by over N1.1trillion between June to October 2019. It further noted that these actions have assisted in boosting credit to the agricultural and manufacturing sectors, hence, the positive outcome on the GDP. The MPC is hopeful that the LDR initiative must be sustained as interest rates being paid by borrowers have so far dropped by up to 400 basis points between June and October 2019. These have happened with corresponding decline in NPLs to 6.5 per cent at end-October 2019. The MPC is, therefore, of the view that sustaining the MPR at its current level is crucial for better understanding of the unfolding impetus of growth before deciding on any probable variations. The MPC also feels that holding its current policy position offers pathways for appraising the effect of the heterodox policies to encourage lending by the banking industry without varying the policy rate as the downside risk to growth and caution on inflation looks stable. The MPC is also of the view that the improvements in the macroeconomic indicators such as the GDP, NPLs, CAR, and the LDR, suggest that current monetary policy stance is yielding results. It therefore, feels that maintaining the current stance would be necessary in order to sustain the improvements.

In view of the foregoing, the Committee decided by a unanimous vote to retain the Monetary Policy Rate (MPR) at 13.5 per cent and to hold all other policy parameters constant.

In summary, the MPC voted to:

- I. Retain the MPR at 13.5 per cent;
- II. Retain the asymmetric corridor at +200/-500 basis points around the MPR;
- III. Retain the CRR at 22.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele
Governor, Central Bank of Nigeria
26th November 2019



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 126 OF THE MONETARY POLICY COMMITTEE MEETING OF THURSDAY 19th AND FRIDAY 20th SEPTEMBER 2019

The Monetary Policy Committee (MPC) met on the 19th and 20th of September 2019, in the light of softening global growth and weaker-than-anticipated domestic output recovery. The Committee evaluated developments in the global and domestic economies and examined the outlook for the rest of the year. It noted the build-up of vulnerabilities in major Advanced Economies and its spill-over to the Emerging Markets and Developing Economies (EMDEs). Nine (9) out of the eleven (11) members of the Committee were present at the meeting.

Global Economic Developments

Output growth across major advanced economies remained subdued, confronted by legacy headwinds, including the subsisting trade war between the US and China, regional hostilities in the Middle-East, rising debt levels, growing uncertainties around BREXIT and increasing political tensions between the US and Iran, including fragilities in the financial markets. In the EMDEs, output growth remained broadly mixed with some economies performing stronger than others.

Consequently, the International Monetary Fund (IMF) revised its projected global growth forecast to 3.2 per cent in 2019 from 3.6 per cent.

Price developments continued to soften across the major advanced and EMDEs as aggregate demand continually weaken, resulting in softening monetary policy by major central banks to address downward trending prices and to strengthen aggregate demand.

Domestic Economic Developments

Data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) grew by 1.94 per cent in the second quarter of 2019, compared with 2.10 and 1.50 per cent in the preceding and corresponding quarters, respectively. This mediocre growth, we believe, is consistent with global trends of dampening output growth and was driven mainly by the oil sector, which grew by 5.15 per cent while the non-oil sector grew by 1.64 per cent. At 57.7 and 58.0 index points, the Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMI) grew moderately for the 30th and 29th consecutive months, respectively, in September 2019. Staff projections indicate that real GDP in Q3 and Q4 2019 would average 2.11 and 2.34 per cent, respectively, driven primarily by the non-oil sector. This optimism in growth prospects is anchored on the new momentum of rising credit to the private sector. However, the headwinds to the growth prospects

remain high unemployment, rising public debt and heightening insecurity across the country.

The Committee noted the continued moderation in headline inflation (year-on-year) to 11.02 per cent in August 2019 from 11.08 per cent in July 2019, driven by decline in the food and core components to 13.17 and 8.68 per cent in August 2019 from 13.39 and 8.80 per cent in July 2019, respectively. The development in the food and core components of inflation was partly due to improved agricultural production in the current harvest season, supported by the Bank's sustained intervention in the agricultural sector as well as the continued stability in the foreign exchange market. The Committee, however, noted the upward pressure imposed on prices due to rising insecurity in the food producing areas of the country, increased liquidity injection from FAAC disbursements and late budget cycles. It also highlighted the imperative to address the economy's infrastructural deficits, such as power supply, upgrade of transport and production infrastructure as a means of reducing cost-push inflation.

The Committee observed that broad money supply (M3) grew by 5.65 per cent in August 2019, compared with the level at end-December 2018, annualized to 8.48 per cent, but remaining below the 2019 indicative benchmark of 16.08 per cent. The growth was largely driven by the increase in Net Domestic Credit (NDC), which grew by 24.36 per cent in August 2019 from the level at end-December 2018. The growth in NDC was accounted for by the

significant increase in credit to Government, which grew by 94.33 per cent while credit to the private sector grew by 9.36 per cent in August 2019. The Committee urged the Management of the Bank to explore new initiatives to further improve lending to the private sector, while calling on Government to adopt other ways of funding its operations outside the banking sector.

In the review period, money market rates oscillated within the standing facilities corridor due to prevailing liquidity conditions in the banking system. The monthly weighted average Inter-bank Call and Open Buyback (OBB) rates increased to 8.00 and 13.37 per cent in August 2019 from 6.52 and 11.01 per cent in July 2019, respectively.

The Committee observed the continued bearish trend in the equities market, while noting the increased activity in the sovereign bonds market, reflecting global trends and investor preference for fixed income securities. In the light of this development, the All-Share Index (ASI) declined by 11.62 per cent to 27,779.00 index points on September 13, 2019, from 31,430.50 index points at end-December 2018. Market Capitalization (MC), however, grew by 15.37 per cent to N13.62 trillion on September 13, 2019, from N11.72 trillion at end-December 2018. This increase in market capitalisation was attributed to the listing of 2.75 billion ordinary shares by Airtel Africa in July 2019.

The MPC noted the improved performance and resilience of the banking sector, evidenced by the continued moderation in the ratio of Non-Performing Loans (NPLs) from 11.2 to 9.4 per cent in

May and August 2019, respectively. While noting that this was still above the prudential benchmark of 5.0 per cent, the Committee called on the Management of the Bank to drive this ratio below the prudential benchmark.

Outlook

The persistence of policy uncertainties, financial vulnerabilities and rising geo-political tensions continued to cloud the medium-term outlook. This is evidenced by the sustained weakening of global growth across regions, amplified by the persisting trade tensions between the US and its major trading partners, rising corporate and public debt levels.

On the domestic economy, output growth in 2019 is expected to peak at 2.1 per cent (IMF), 2.2 per cent (World Bank) and 2.27 per cent (CBN). These forecasts remain underpinned by expectations of favourable oil prices which would lead to higher external reserves, stable exchange rate, moderate inflationary pressure as government increases capital expenditure, including enhanced flow of credit to the private sector to stimulate investment, sustained CBN interventions in the real sector, effective implementation of the Economic Recovery Growth Plan (ERGP), build-up of fiscal buffers, as well as improved security in the country.

Committee's Considerations

The Committee noted the decline in output growth in the second quarter of 2019, partly attributable to the delay in implementation of the 2019 budget. It however, observed that this was an improvement over the corresponding quarter of 2018. In addition, it noted the broad slowdown across key economies and the response of major central banks to revise their policy rates downwards.

On price developments, the Committee commended the progressive moderation in consumer prices and urged the Bank to sustain its intervention in the real sector of the economy to reduce the output gap.

The MPC noted the improvements in the financial soundness indicators and urged the Management of the Bank to sustain its regulatory surveillance to ensure continued financial system stability. The Committee, particularly noted the growth in the size of industry loans from N15.4 trillion in June to N16.23 trillion in September 2019. On the recent directives to deposit money banks to increase their Loan-to-Deposit Ratio (LDR), the Committee underscored the need to grow consumer, mortgage and corporate credit to drive aggregate demand and ensure a reduction in unemployment and increase in output growth. Consequently, the Committee urged the Management of the Bank to fast-track the development of the credit scoring system, to

promote increased intermediation. In addition, the Committee commended the introduction of the Global Standing Instruction (GSI) initiative aimed at de-risking credit in the industry by committing bank customers to repay their loans to banks. The MPC further noted the increased supply of micro credit to key Micro Small and Medium Enterprises (MSMEs) and efforts through the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) Microfinance Bank to extend the reach of its credit facilities across the country. The MPC however, observed that the growth in credit to the private sector remained significantly low, relative to the absorptive capacity of the economy.

The MPC further underscored the linkage between high unemployment and heightened insecurity, emphasizing the critical need for urgent steps towards more jobs and wealth creation in the country. As an interim solution, the Committee called on Government at all levels to ratchet up public works programmes aimed at easing the threat of rising unemployment in the country. This, the Committee argued, would be achieved through efficiency in public spending. The MPC also noted the Government's current drive to increase Value Added Tax (VAT), adding that this will improve fiscal revenue to support expenditure and reduce the budget deficit as well as Government borrowing when implemented. The Committee, however, noted that this was too little to close the gap in Government finances. Consequently, the MPC called on the Government to, as a matter of urgency, adopt

what it termed a BIG BANG approach towards building fiscal buffers by purposefully freeing-up redundant public assets through an efficient, effective and transparent privatization process. This would raise significant revenue for Government and resuscitate the redundant assets to generate employment and contribute effectively to national economic growth. The MPC noted the unstable oil prices, its implications on accretion to external reserves and its persistent call on the Government to build fiscal buffers. Consequently, the Committee called on the National Assembly to exercise restraint from increasing the oil price budget benchmark to avoid budgetary overruns at the implementation stage of the budget. Projections from the oil futures market, indicate that oil prices will remain tight around the budget oil price benchmark in the medium term.

The Committee's Decision

In its considerations regarding the policy options to adopt, the MPC as usual, felt compelled to review the options of whether to tighten, hold or loosen.

The Committee noted the positive moderation in inflation, though slowly from 11.08 per cent in July to 11.02 per cent in August 2019. Given that this was still above the target range of 6-9 per cent, and considering the pressure on reserve accretion caused by the relatively weak crude oil price, the MPC felt the imperative to tighten. On the contrary, the Committee was of the view that doing so in the midst of a fragile growth outlook would increase the cost

of credit, and further contract investment and constrain output growth.

On loosening, the Committee felt that this would result in increased system liquidity and hence, heighten inflationary tendencies in the economy. In particular, the MPC was of the view that loosening would drive growth in consumer credit but without a corresponding adjustment in real sector output. The Committee was also convinced that increased liquidity and interest rate moderation would result in exchange rate pressures as money supply rises.

As regards the option to hold, the MPC opined that the option requires a clear understanding of the quantum and timing of liquidity injections into the economy, before deciding on possible adjustments to the stance of monetary policy. The Committee was also of the opinion that retaining the current position of policy offers pathways to appraising the effects of the suit of heterodox monetary policy to encourage credit delivery to the real sector, especially in the light of the subsisting implementation of the Loan-to-Deposit Ratio policy.

In view of the foregoing, the Committee decided by a unanimous vote to retain the Monetary Policy Rate (MPR) at 13.5 per cent and to hold all other policy parameters constant.

In summary, the MPC voted to:

- I. Retain the MPR at 13.5 per cent;
- II. Retain the asymmetric corridor of +200/-500 basis points around the MPR;
- III. Retain the CRR at 22.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

20th September, 2019



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 125 OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY 22nd AND TUESDAY 23rd July, 2019

The Monetary Policy Committee (MPC) met on the 22nd and 23rd of July, 2019, in an environment of subdued global growth and fragile domestic economic recovery. The Committee reviewed developments in the global and domestic macro-economy. It noted that the global environment is overwhelmed with vulnerabilities and financial fragilities. Inflation in the advanced economies is trending downwards and significantly below the long-run objective, necessitating the adoption of accommodative monetary policy, the global economy is poised to see another round of loose monetary policy. All Eleven (11) members of the Committee were at the meeting.

Global Economic Developments

Global output growth remained weak with persistent headwinds expected to continue for the rest of the year. Key amongst these headwinds is the rising trade tensions, particularly between the US and its key trading partners in Europe, Canada, China and India, rising debt levels in some Advanced Economies and Emerging Markets and Developing Economies (EMDEs) as well as growing

political uncertainties across several regions. Consequently, the International Monetary Fund (IMF) downgraded its 2019 global growth forecast from 3.6 per cent to 3.3 per cent.

Price developments across the major advanced economies remained muted alongside softening output growth. In the Emerging Markets and Developing Economies (EMDEs), however, inflationary developments were mixed in response to challenging macroeconomic conditions. The Committee noted, that the return to monetary accommodation by the advanced economies could see a new wave of capital flows to the EMDEs as investors continue to search for higher yields.

Domestic Economic Developments

Available data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) grew by 2.01 per cent in the first quarter of 2019, driven by the non-oil sector, compared with 2.38 and 1.89 per cent in the preceding and corresponding quarters of 2018, respectively. The Committee noted the continued but moderate expansion in the economy as indicated by the Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMI), which grew for the 27th and 26th consecutive months in June 2019. The indices stood at 57.4 and 58.6 index points, respectively, in June 2019. Staff forecast indicate a 2.11, 2.39 and 2.56 per cent growth in GDP in Q2, Q3 and Q4 2019, respectively, expected to be driven largely by the non-oil sector. The Committee, however, noted that the downside risks to

the growth projections to include low credit to the private sector; high unemployment; delayed intervention of fiscal policy as well as low revenue and fiscal buffers, amongst others. The continued intervention by the Bank in the real sector is, however, expected to partly ameliorate the downside risks only in the short-run, while sound fiscal policy is expected to drive growth in the medium to the long-run.

The Committee observed that broad money supply (M3) grew by 4.97 per cent in June 2019 from the level at end-December 2018, at an annualized rate of 9.95 per cent. It was also below the indicative benchmark of 16.08 per cent for 2019. The growth in M3 was largely driven by the increase in Net Domestic Credit (NDC), which grew by 17.26 per cent in June 2019 from the level at end-December 2018. The growth in Net Domestic Credit (NDC) was accounted for by the significant increase in credit to Government, which grew by 55.80 per cent, while credit to the private sector grew by 9.0 per cent in June 2019. The Committee, however, noted that the constrained growth in the monetary aggregates as an indication of weak financial intermediation in the banking system and called on the Management of the CBN, to sustain the various initiatives of the Bank to improve lending to the private sector in Nigeria.

The Committee welcomed the moderation in headline inflation (year-on-year) to 11.22 per cent in June 2019 from 11.40 per cent in May 2019. This was attributed to the decline in the Food and Core components to 13.56 and 8.80 per cent in June 2019 from

13.70 and 9.03 per cent in May 2019, respectively. It noted the development as being partly due to the CBN's support to the agricultural sector and the prevailing stability in the Nigerian foreign exchange market. The MPC further noted that although inflation moderated in June 2019, the continued pressure on prices continues to be associated with structural factors such as the high cost of electricity, transport and production inputs. The MPC, however, expects that with the commencement of the harvest season, food prices will taper further downwards. It thus, however, advised that the security challenges in some parts of the country should be addressed urgently to increase agricultural produce in order to sustain the downward trend in inflation. The MPC reiterated its commitment to ensure the maintenance of price stability.

The net liquidity position and interest rates in the economy reflected the impact of liquidity injections and the Bank's liquidity management operations associated with fiscal federalism, transformation of maturing CBN Bills, Open Market Operations (OMO) auctions and foreign exchange interventions. Accordingly, the monthly weighted average Inter-bank call and Open Buyback (OBB) rates, oscillated within the MPR corridor, increasing to 8.38 and 8.71 per cent in June 2019 from 5.14 and 8.34 per cent in May 2019, respectively.

The Committee noted with concern the continued bearish trend in the equities segment of the capital market in spite of the sustained capital inflow to the economy, reflecting continued

portfolio reallocation from equities to fixed income securities. Consequently, the All-Share Index (ASI) declined by 9.11 per cent to 28,566.79 index points on July 12, 2019, from 31,430.50 index points at end-December 2018. Market Capitalization, however, grew by 18.77 per cent to N13.92 trillion on July 12, 2019, from N11.72 trillion at end-December 2018. This was due largely to the additional listing of new firms during the review period.

The Committee welcomed the continued stability in the foreign exchange market and the steady accretion to external reserves, which stood at US\$44.88 billion as at July 19, 2019, representing a 0.38 per cent increase from US\$44.71 billion at the end-June 2019. The MPC also noted the steady moderation in the Non-Performing Loans (NPLs) ratio of the banking industry to 9.36 per cent in June from 10.95 per cent in May 2019. While this remained above the prudential benchmark of 5.0 per cent, its continued moderation indicates the improved resilience of the banking system. The Committee thus emphasised its resolve to further drive down the Non-Performing Loans (NPLs) in the industry so as to strengthen the strategic health of banks in the Country.

Outlook

The overall medium-term outlook for the global economy remains mixed with indications of continued softening of global output due to persisting policy uncertainties and sustained macroeconomic vulnerabilities. These are likely to be accentuated by the increasing trade tensions between the US

and its major trading partners, rising debt levels and geo-political tensions.

On the domestic economy, output growth in 2019 is expected to remain weak, peaking at 2.27 per cent, while inflation is projected at 11.37 per cent by the CBN staff projections by end-2019. The underlying arguments in favour of this forecast include: favourable oil prices; stable exchange rate; moderate inflationary pressures; enhanced flow of credit to the private sector; sustained CBN interventions in the real sector; effective implementation of the Economic Recovery and Growth Plan (ERGP); building fiscal buffers; and improved security in the food producing areas of the country.

Committee's Consideration

In its considerations, the Committee noted the need to boost output growth through sustained increase in consumer credit and mortgage loans and granting loans to our Small and Medium Enterprises companies. It also observed that the Management of the Bank had started the prescription of using benchmark loan-to-deposit ratios to redirect the banks focus to lending. To mitigate credit risk, the Committee enjoined the Management of the Bank to de-risk the financial markets, via the development of a reliable credit scoring system, similar to what applies in the advanced countries as this will encourage Deposit Money Banks (DMBs) to safely grow their credit portfolios.

The MPC called on the fiscal authorities to expedite action on expanding the tax base of the economy to improve government revenue and stem the growth in public borrowing. It further urged the fiscal authorities to build fiscal buffers to avert macroeconomic downturn in the event of a decline in oil prices.

The Committee also called on the Bank to intensify efforts to encourage Nigerians in the diaspora to use official sources for home remittances, noting that the effort will complement other measures geared towards improving Nigeria's current account balance. It enjoined the Bank to consider introducing incentives such as the reduction of charges on diaspora home remittances into Nigeria.

On the African Continental Free Trade Agreement (AfCFTA), the Committee urged the Federal Government to put in place measures to aid the economy in realising the benefits and full potentials of that Agreement. In particular, it noted the need to resuscitate moribund industries in Nigeria and improve key infrastructure in order to strengthen the productive base of the economy, create job opportunities as well as boost exports.

The Committee noted the positive developments towards the creation of a common currency in the West African Zone by January 2020 and commended Government and the Central Bank for pushing forward the initiative. The Committee, however, enjoined the Bank to ensure that Nigeria is properly positioned to maximise the benefits of monetary integration.

In consideration of the specific policy options to adopt; to hold, loosen or tighten, the MPC made the following observations:

- (i) Whilst the focus on growth was imperative, the mandate of price stability remains sacrosanct;
- (ii) Given the happenings in the external sector and the fact that inflation is moderating, tightening of monetary policy should not be an option at this time, as restriction of the capacity of the DMBs to create money could curtail their credit creation capabilities.

On the contrary, the Monetary Policy Committee (MPC) was of the view that, whilst loosening could increase money supply, stimulate aggregate demand and strengthen domestic production, the economy could be awash with liquidity especially if loosening drives growth in consumer credit without commensurate adjustment in aggregate output.

On holding the current monetary policy position, the Monetary Policy Committee (MPC) observed that given the recent actions of the Bank's management involving the prescription of minimum lending thresholds by the deposit money banks to our Deposit Money Banks (DMBs), it is safe to assume that this action, targeted at stimulating credit growth to the real sector would increase credit delivery to the real sector and accelerate investment and economic growth. It also observed that since interest rates were currently trending downwards, it is safer to await the full impact of

these policy actions on the economy before a review of the position of monetary policy.

The Committee's Decision

In consideration of the foregoing, the Committee decided unanimously by a vote of all members present to retain the Monetary Policy Rate (MPR) at 13.5 per cent and to hold all other policy parameters constant. The decision was informed by the conviction of members that key macroeconomic indicators are trending in the right direction.

Consequently, the MPC unanimously voted to:

- I. Retain the MPR at 13.5 per cent;
- II. Retain the asymmetric corridor at +200/-500 basis points around the MPR;
- III. Retain the CRR at 22.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

23rd July, 2019



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 124 OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY 20TH AND TUESDAY 21ST MAY, 2019

Background

The Monetary Policy Committee (MPC) met on the 20th and 21st of May 2019, amidst uncertainties in the global financial, economic and political environments. All Eleven (11) members of the Committee were present.

Global Economic Developments

The Committee reviewed developments in the global economy, noting with concern, the declining trend in global output growth, which commenced in the second half of 2018. Accordingly, the International Monetary Fund downgraded global output growth from 3.7 per cent in 2018 to 3.6 per cent in 2019 and further revised it downwards to 3.3 per cent in 2019. The decrease in the global composite Purchasing Managers' Index (PMI) in the last three months provides further fillip to this downgrade. The Committee noted that the weakening global output growth continued amidst prevailing uncertainties from familiar headwinds including: the further escalation of trade tensions between the US and China; imposition of new rounds of sanctions on Iran; breakdown of BREXIT negotiations; a new wave of tension on the Korean Peninsula; vulnerabilities in major financial markets and rising public and private debt in some Emerging Market and Developing Economies (EMDEs).

Despite these uncertainties, inflation in the advanced economies remained muted and largely below their 2.0 per cent long-run targets. As a result, most central banks in the advanced economies, including the US Fed, Bank of

England and the European Central Bank, adopted a dovish monetary policy stance, which is expected to remain in place in the near to medium term, as signs of weakness in the global economy re-emerged. In the Emerging Market Developing Economies, however, developments were mixed, with inflation rising in some, but moderating in others. In response, the financial markets witnessed the rebalancing of portfolios from equities to fixed income securities, and some stock markets posting losses. In the main, the Emerging Market Developing Economies are expected to continue to benefit from the accommodative monetary policy stance of the advanced economies through increased capital inflows.

Domestic Output Developments

Available output data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) grew by 2.01 per cent in the first quarter of 2019 compared with 2.38 and 1.89 per cent in the previous and corresponding quarters of 2018, respectively. This was largely driven by the non-oil sector, which grew by 2.47 per cent in the first quarter of 2019 while the oil sector contracted by 2.40 per cent. Staff projections indicate real GDP growth of 2.34 and 2.36 per cent in Q2 2019 and Q3 2019, respectively, including a reduction in the unemployment rate. The Monetary Policy Committee observed that actual output remains below potential, implying that the economy still had sufficient headroom for non-inflationary growth. This is expected to be driven largely by sustained stability in the financial system; continued special interventions in Agriculture, manufacturing and SMEs sectors, by the Bank; sustained effort in improving transport infrastructure to address distribution challenges; continued expansion of business activities as indicated by the PMI and increased supply of foreign exchange to growth-stimulating sectors of the economy, among others.

The Committee noted the continued expansion of the Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMI) for the 25th and 24th consecutive months in April 2019 and broadly welcomed this positive

development in economic activities in Nigeria. The manufacturing PMI grew by 57.7 index points compared with 57.4 index points in the previous month. Similarly, the non-manufacturing PMI grew by 58.7 index points compared with 58.5 index points in March 2019. The growth in both measures of PMI were anchored by marginal increases in production, employment level and new orders.

Developments in Money and Prices

The Committee noted the growth in broad money supply (M3) by 5.42 per cent in April 2019 from the level at end-December 2018, annualized to 16.36 per cent, above the indicative benchmark rate of 14.47 per cent for 2019. This was largely driven by the growth of 19.62 per cent in Net Domestic Assets (NDA). In contrast, Net Foreign Assets (NFA) contracted by 5.83 per cent in April 2019 relative to the level at end-December 2018. In spite of the significant underperformance of M1 at -4.26 per cent annualised to -12.77 per cent, M2 grew by 1.85 per cent in April 2019, annualized to 5.54 per cent, which was significantly below the benchmark rate of 12.99 per cent for 2019. This development was largely due to the growth in time and savings deposits by 6.53 per cent. The Net Domestic Credit (NDC) grew by 19.31 per cent in April 2019 from the level at end-December 2018, annualized to 57.92 per cent, above its indicative benchmark of 11.82 per cent. The growth in NDC was attributed to the significant increase in credit to both government and the private sector by 64.44 and 9.64 per cent, respectively, in April 2019, compared with end-December 2018. The Committee noted the developments in the monetary aggregates and enjoined the Bank to initiate moves towards improving lending to the private sector and urged other intermediary institutions in the financial sector to support these initiatives by improving their credit delivery to boost output growth.

The Committee noted the uptick in inflation as headline inflation (year-on-year) rose slightly to 11.37 per cent in April 2019 from 11.25 per cent in March

2019. The increase in headline inflation was driven mainly by food inflation which rose by 13.70 per cent in April 2019 from 13.45 per cent in March 2019. Core inflation, however, declined marginally to 9.28 per cent in April from 9.46 per cent in March 2019. In April 2019, month-on-month headline, food and core inflation increased to 0.94, 1.14 and 0.70 per cent from 0.79, 0.88 and 0.53 per cent in March 2019, respectively. The MPC noted that the recent uptick in inflationary pressure was seasonally driven and anticipated.

Liquidity conditions in the banking system reflected the net impact of Open Market Operations (OMO) auctions, maturing CBN Bills, statutory allocations to states and local governments as well as interventions by the CBN in the foreign exchange market. Consequently, the monthly weighted average Inter-bank call and Open Buy Back (OBB) rates increased to 13.98 and 16.15 per cent in April 2019 from 10.80 and 12.17 per cent in March 2019, respectively. The daily unsecured interbank and the OBB rate, fluctuated within the standing facilities corridor, closing at 6.57 per cent and 5.55 per cent on May 10 and May 16, 2019, respectively, reflecting the reaction of the money market to the 50 basis point reduction in the policy rate at the meeting of the MPC in March 2019.

The Committee observed the continued bearish trend in the equities market in spite of the sustained capital inflows into the economy during the period under review. The All-Share Index declined by 8.14 per cent to 28,871.83 index points on May 17, 2019 from 31,430.50 index points as at end-December 2018, while market capitalization grew by 8.53 per cent to N12.72 trillion on May 17, 2019 from N11.72 trillion at end-December 2018. The recent growth in market capitalization reflected new listings in the market, prominent amongst which is: MTN and Skyway Aviation Handling Company Plc and additional listing from the merger between Access Bank and Diamond Bank.

The Committee welcomed the continued stability at both the Bureau-de-change (BDC) and the Investors' and Exporters' (I&E) windows of the foreign exchange market, expressing optimism in the recovery of crude oil prices due

to the OPEC production ceiling and other geo-political issues affecting oil exports.

The MPC also noted the steady accretion to external reserves, which stood at US\$45.42 billion as at May 16, 2019, an increase of 2.20 per cent from US\$44.44 billion at end-April 2019.

The Overall Outlook and Risks

The overall medium term outlook for the global economy remains mixed and uncertain with growing indications of persistent macroeconomic vulnerabilities, global financial market fragilities, accommodative monetary policy, policy uncertainties and weakening global output.

Data on the domestic economy suggests some fragility in output growth during the second quarter of 2019 with improved outlook for the rest of the year. Accordingly, revised output projections indicate that the economy would grow by 2.1 per cent according to the International Monetary Fund (IMF), 2.2 per cent by the World Bank and 2.38 per cent by the CBN in 2019. This outlook is hinged on the following key factors: the effective implementation of the Economic Recovery and Growth Plan (ERGP); supportive monetary policy; enhanced flow of credit to the real sector; sustained stability of the exchange rate; and improved fiscal buffers; amongst others. The Committee, thus, expects that monetary policy would focus on improving access to credit, reducing unemployment and stimulating economic growth.

Committee's Considerations

The Committee took into consideration the continued slowdown in the global economy and the persisting uncertainties, including the ongoing trade wars between the US and its major trade partners, financial fragilities in a number of countries, the debt-constrained fiscal operations of most EMDEs, including

Nigeria, and the volatility in the oil market. The Committee, therefore, enjoined the Federal government to urgently build fiscal buffers through a more realistic benchmark oil price for the Federal Budget.

The MPC noted the 2.01 per cent growth in real GDP during the first quarter of 2019 compared with 1.89 per cent in the corresponding quarter of 2018. Although output growth in the first quarter was slower than 2.38 per cent recorded in the preceding quarter, it emphasized that actual output remains well below the economy's long-run potential, indicating the existence of spare capacity for non-inflationary growth in the economy, an opportunity which should be explored through increased credit delivery to the private sector. Not impressed by the flow of credit from the Deposit Money Banks (DMBs) to the private sector, the MPC called on the CBN management to urgently put in place modalities to promote Consumer, and Mortgage lending in the Nigerian economy, noting that doing this will greatly and positively impact on the flow of credit and ultimately result in output growth.

The MPC called for a close monitoring of the uptick in inflationary pressures in April 2019, driven largely by food shortages during the Easter season, the commencement of the planting season as well as persisting security challenges in some of the food producing regions of the country. The Committee, urged the relevant authorities to strengthen efforts to address the security challenges and improve food production. It encouraged financial intermediating institutions to ensure that loans to the agricultural sector were channelled effectively to end users.

The MPC welcomed the improvement in financial soundness indicators (FSIs), but noted that although the Non-Performing Loan (NPL) ratio moderated, it remained above the prudential benchmark. Consequently, the Committee considered and recommended to the CBN, a proposal to develop a comprehensive administrative, legal and regulatory framework to speed up

the recovery of delinquent loan facilities of the banking system; involving structured engagement with relevant stakeholders and authorities, in order to mitigate credit risk and ultimately open up the credit delivery space in the Nigerian economy.

The Committee extended warm felicitations in an expression of gratitude to the President and Commander in Chief of the Armed Forces of the Federal Republic of Nigeria, President Muhammadu Buhari, and the Senate of the Federal Republic, respectively, for the reappointment and prompt confirmation of the Governor of the Central Bank of Nigeria, Godwin I. Emefiele, for a second 5-year term in office. In particular, the Committee noted that the reappointment was in recognition of the contributions of the CBN to maintaining macroeconomic stability and it would engender confidence and build policy credibility and deliver stability to the Nigerian financial markets.

In view of the abundant opportunities available to banks for unfettered access to government securities, which tends to crowd out private sector lending, the Committee called on the Bank to provide a mechanism for limiting DMBs access to government securities so as to redirect bank's lending focus to the private sector, noting that this would spur the much needed growth in the economy. It called on the Government to use all machinery at its disposal to increase tax revenue to enable the government fund its budget adequately.

The Committee's Decision

The global and domestic developments have conditioned an environment of low optimism in the macroeconomic and financial sector space, forcing central banks to return to accommodative monetary policy.

As in the past, the Committee considered the options of whether to be more accommodative, tighten or hold its position. The Committee felt that although the slight inflation uptick should result in tightening, it nevertheless felt that doing this will limit the ability of DMBs to increase credit at this time, given the need to support or redirect the focus of DMBs to new credit in support of consumer, mortgage and other priority sectors of the economy, including, SMEs, agriculture and manufacturing. It also felt that given the fragile state of the economy, increasing the cost of credit would further diminish investment flow and impact negatively on output growth.

As regards loosening, some members felt that it was desirable to aggressively stimulate growth, restart the capital market activities and increase lending at lower rates; which would ultimately stimulate domestic aggregate demand.

Those against loosening felt that given that there was a marginal increase in headline inflation for April 2019, there is need to restrain from loosening in order not to exacerbate inflationary pressures. They also felt the economy would experience liquidity surfeit and without corresponding increase in real sector output, inflationary pressures could be elevated; resulting in likely exchange rate pressures.

As for members who favoured a hold position, maintaining monetary policy rate at its present level was essential for better understanding of the momentum of growth before determining any possible modifications. They also felt that retaining the current policy stance provides an avenue for evaluating the impact of the Bank's intervention policies to support lending to the priority sectors of the economy.

Consequently, the MPC decided against the backdrop of these developments by a vote of 9 members out of 11, to hold all parameters of monetary policy constant. Two members voted, however, to reduce the monetary policy rate by 25 basis points.

In summary, the MPC voted to:

- I. Retain the MPR at 13.50 per cent;
- II. Retain the asymmetric corridor of +200/-500 basis points around the MPR;
- III. Retain the CRR at 22.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

21st May, 2019



CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 123 OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY 25TH AND TUESDAY 26TH MARCH, 2019

Background

The Monetary Policy Committee (MPC) met on the 25th and 26th March, 2019; against the backdrop of developments in the global and domestic economic environments in the first quarter of 2019. Eleven (11) members of the Committee were present.

Global Economic Developments

The Committee noted with concern the weakening performance of global output growth at the end of 2018 and observed that developments in the first quarter of 2019 were characterised by legacy headwinds from the second half of 2018. These include: the continued trade war between the US and China, policy uncertainty amongst advanced economy central banks; persisting uncertainties surrounding BREXIT negotiations; vulnerabilities in major financial markets and rising public debt in some Emerging Market and Developing Economies (EMDEs). Consequently, global output growth for 2019 was downgraded by the IMF from 3.7 per cent to 3.5 per cent.

Price developments across major advanced economies, continued to moderate in the review period alongside signals of weakening output growth. In the light of this development, the US Fed, the Bank of England and the European Central Bank retreated from their earlier stance of monetary policy normalisation in favour of a monetary policy accommodation. This led to volatilities in the financial markets of the advanced economies as the balancing of portfolios moved capital from the equities to the bonds market.

The MPC noted the moderate appreciation of the US dollar against the currencies of most advanced and emerging market economies. It further noted the trend of declining long term yields in the US, and the likelihood that capital flows may be redirected to EMDEs in the medium term.

Domestic Output Developments

Output data from the National Bureau of Statistics (NBS) indicate that real Gross Domestic Product (GDP) grew by 2.38 per cent in Q4 2018 from 1.81 and 2.11 per cent in the previous quarter and corresponding period of 2017. The major impetus for growth came from the non-oil sector, which grew by 2.7 per cent in Q4 2018, while the oil sector contracted by 1.62 per cent.

The Committee welcomed the continued positive sentiments in the Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMIs) for the 24th and 23rd consecutive months in March 2019. The manufacturing PMI rose by 57.4 index points

compared with 57.1 in the previous month. Similarly, the non-manufacturing PMI increased by 58.5 index points compared with 58.4 in February 2019. The increase in both measures of PMI was driven by increases in production, employment, raw material inventories and new orders. This improved outlook was attributable to the continued stability in the foreign exchange market, various interventions by the Bank in the real sector and the effective implementation of the Economic Recovery and Growth Plan (ERGP) by the Federal Government. Furthermore, on the current measure of national output, the MPC noted the need to rebase the GDP, an exercise which was last carried out in 2010.

Developments in Money and Prices

The Committee noted that broad money supply (M2) contracted by 1.98 per cent in February 2019, below its level at end-December 2018. Net Foreign Assets (NFA) contracted by 7.47 per cent in February 2019 relative to its level at end-December 2018. In contrast, M3 grew by 4.31 per cent in February 2019 compared with its level at end-December 2018. Net Domestic Credit also grew by 10.68 per cent in February 2019. The growth in NDC was accounted for by the increase in credit to Government which grew by 17.20 per cent in February 2019 over its level at end-December 2018. Credit to the private sector also rose by 6.41 per cent compared with its growth benchmark of 9.41 per cent. Given the positive trajectory, the Committee urged the Management of the CBN, to sustain the various initiatives of the Bank, particularly

the partnership between the Bankers Committee and the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) aimed at establishing a national microfinance bank to cater for the MSMEs of the economy.

The Committee noted the continued moderation in inflation as headline inflation (year-on-year) declined further to 11.31 per cent in February 2019 from 11.37 and 11.44 per cent in January 2019 and December 2018, respectively. The decrease in headline inflation was driven mainly by food inflation, which declined to 13.47 per cent in February 2019 from 13.51 per cent in January 2019, while core inflation declined marginally to 9.80 per cent from 9.91 per cent in the previous month. On a month-on-month basis, headline, food and core inflation declined to 0.73, 0.82 and 0.65 per cent in February 2019, respectively, from 0.74, 0.83 and 0.81 per cent in January 2019. The Committee noted the upside risks to inflation to include; high cost of energy, infrastructure constraints, insecurity in some parts of the country; and anticipated increase in liquidity from the late implementation of the 2018 budget, and noted that most of these factors were outside the ambit of monetary policy. The MPC, therefore, urged the Federal Government to sustain its current effort in stimulating output growth by executing the policies approved in the ERGP.

The net liquidity position reflected the impact of OMO auctions, foreign exchange interventions, statutory allocations to states and local governments, and maturing CBN Bills. Consequently, the average Inter-bank call rate increased to 16.45 per cent in

February 2019 from 15.00 per cent in January 2019. The Open Buy Back (OBB) rate, however, declined marginally to 18.79 per cent in February 2019 from 19.71 per cent in January 2019. The interbank call rates, however, closed at 8.0 per cent on March 8, 2019, while the OBB closed at 14.39 on March 22, 2019.

The Committee noted that in spite of the recent upsurge in capital inflow into the economy, the All-Share Index (ASI) and Market Capitalization (MC) continued to decline, reflecting global sentiments in portfolio rebalancing from equities to fixed income securities. This generally reflected the perceived risk at the long end of the yield curve.

The Committee noted with satisfaction, the continued stability in the foreign exchange market at the Investors' and Exporters' (I&E) window of the market. In particular, it also observed the moderate improvement in oil prices and stable accretion to external reserves, which stood at US\$45.2 billion as at March 21, 2019, a 6.73 per cent increase from US\$42.35 billion at end-February 2019.

The Overall Outlook and Risks

The medium term outlook for the global economy continues to be uncertain with indications of increasing macroeconomic vulnerabilities and downward revision of the forecast for global output growth.

On the domestic economy, available data on key macroeconomic indicators for output growth in the first quarter of 2019, and forecasts for the rest of the year, suggests continued positive outcomes. Based on recent projections, the economy is expected to grow by 2.0 per cent (IMF), 2.2 per cent (World Bank) and 2.74 per cent (CBN). The projection is hinged on: the enhanced flow of credit to the real sector; sustenance of a stable exchange rate; moderating inflation rate; CBN special interventions in growth-enhancing sectors, especially, agriculture and non-agricultural SMEs; improved growth in the non-oil sector and the effective implementation of the ERGP by the Federal Government, amongst others. The Committee expressed optimism that the establishment of the NIRSAL National Microfinance Bank and the enactment of the *Secured Transactions in Movable Assets Act 2017* will stimulate lending to small and medium enterprises.

Committee's Considerations

The Committee observed the tepid output growth in 2018, but noted with satisfaction that it strengthened in the last quarter of 2018 as well as the positive forecast for 2019. It further noted with great satisfaction, the continued moderation in all measures of inflation, sustained stability in the exchange rate and the robust level of external reserves. It commended the recent upsurge in capital inflows into the economy, noting this to be a demonstration of sustained confidence by the foreign investor community in the Nigerian economy. The Committee was,

however, not unmindful of developments in the global economy, noting the recent slowdown in growth in some advanced economies and the dovish stance of some major central banks as an early warning sign of broader macroeconomic vulnerabilities. It, therefore, underscored the need to monitor the trend in capital flows and the continued downturn in the equities market, noting that the recent surge in portfolio inflows were concentrated in the money market.

The Committee noted the relative volatility in oil prices and its impact on accretion to reserves which could easily undermine the stability observed in the foreign exchange market. It, however, noted that current developments in the oil futures market indicate that oil prices will remain considerably above the Federal Government's 2019 budget benchmark. The Committee, therefore, urged the Federal Government to strengthen its current revenue mobilization efforts as well as explore additional sources of revenue in order to improve fiscal buffers. It further urged the Federal Government to sustain its implementation of the ERGP, while ensuring that growth is all inclusive. It reiterated the need to concentrate effort on addressing the problem of weak power infrastructure, as well as support domestic manufacturing. The Committee also called on all relevant institutions of the government to address the menace of smuggling and dumping of goods into Nigeria; and encouraged the Bank to continue to explore available scenarios to deal with the activities of economic and policy saboteurs, including those involved in dumping and

smuggling, in a bid to accelerate domestic production of goods in Nigeria.

The MPC noted the positive moderate outlook for growth and the risks in the horizon. The Committee also noted that having achieved a relatively stable exchange rate with price stability, it is imperative that monetary policy should explore the next steps necessary for enhancing growth, reducing unemployment and diversifying the base of the economy. It further observed that per capita income growth is very negligible, while aggregate demand remains weak. Aggregate output also remains below the potential output level, implying sufficient headroom for non-inflationary growth. This new direction has, therefore, become imperative against the backdrop of the aftermath of the general national elections and strong inflow of foreign direct and portfolio investments into the economy.

The Committee urged for the speedy passage of the other aspects of the Petroleum Industry Bill (PIB) to fast track the development of the value chain in the sector and create employment. It also welcomes the passage of the National Minimum Wage Bill by the National Assembly and call for its speedy implementation in order to boost domestic aggregate demand.

The Committee further observed that the performance of the monetary aggregates were below their benchmarks, indicating

headroom for monetary growth. The MPC noted the encumbrances and constraints imposed on fiscal policy and the associated vulnerabilities as it has consistently failed to mobilise sufficient revenues to support development as enunciated in the ERGP, leaving room for continued debt financing, not previously envisaged. Against this backdrop, it is imperative for monetary policy to provide the much needed leverage to support output growth and employment generation in the country.

On a more cautious note, the Committee expressed concern and sympathises with the fiscal authorities, over the growing fiscal deficit, external debt and debt service, and urged the need to closely monitor the public procurement process in order to improve efficiency in public resource management.

On financial system stability, the MPC noted the improvements in key financial soundness indicators and commended the Federal Government for the settlement of debt owed to oil marketers, which has considerably, helped in reducing the non-performing loans (NPLs) portfolio of the banking industry. The Committee, therefore, urged the Government to expedite action in settling all outstanding contractor-related arrears so as to improve the NPLs position and stabilise the banking system. In addition, the MPC reiterated the Bank's commitment to improve credit delivery, especially to small and medium scale enterprises, while acknowledging efforts by the Central Bank of Nigeria in coordinating the de-risking of lending to the private sector

through the collaboration between the Bankers' Committee and NIRSAL.

In its consideration of the best monetary policy option, the Committee noted the need for all agencies of Government to work hard, not only in consolidating the growth so far achieved, but also in ensuring that appropriate policies are put in place and implemented to create jobs on a mass scale and diversify the economy in a proper direction. In doing this, the policy options facing the MPC at this meeting is a decision between retention of the current stance of monetary policy or a slight loosening of the policy rate, backed by the substantial stability of the major macroeconomic indicators. The Committee felt that given the relative stability in the key macroeconomic variables, there is the need to signal a new direction that is pro-growth.

In its arguments, the Committee was convinced that doing this would further uphold the Bank's commitment to promoting strong growth by way of encouraging credit flow to the productive sectors of the economy. The MPC felt that signalling through loosening by a marginal reduction would serve to manage the sentiments in the capital markets owing to the wider spread in yields in the EMDEs, relative to the advanced economies. Moreover, the real interest rate in the country would still remain positive.

The Committee's Decision

In light of the above, the MPC decided by a vote of six out of eleven members to reduce the Monetary Policy Rate (MPR) by 50 basis points. Two members voted to reduce the MPR by 25 basis points, while one member voted to reduce it by 100 basis points. Two members, however, voted to hold the MPR at its current level. Ten members voted to hold all other parameters constant, while a member voted to reduce the Cash Reserve Ratio (CRR) by 100 basis points from 22.5 to 21.5 per cent.

In summary, the MPC voted to:

- I. Adjust the MPR by 50 basis points from 14.00 to 13.50 per cent;
- II. Retain the asymmetric corridor of +200/-500 basis points around the MPR;
- III. Retain the CRR at 22.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

25th March 2019



CENTRAL BANK OF NIGERIA COMMUNIQUÉ No. 122 OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY 21ST AND TUESDAY 22ND JANUARY, 2019

Background

The Monetary Policy Committee (MPC) held its first meeting for fiscal 2019 on 21st and 22nd January, 2019 amidst concerns over the slowdown in global economic activity, arising from on-going trade tensions, tightening global financing conditions and mounting external debt in Emerging Market and Developing Economies (EMDEs). On the domestic front, the resurgence of moderate inflationary pressure and possible threats to accretion to external reserves due to softening crude oil prices were noted. The Committee reviewed the developments in the global and domestic economic and financial environments in 2018, as well as the risks and outlook in the short to medium term. Eleven (11) members of the Committee were in attendance.

Global Economic Developments

The Committee noted the divergence in performance of most economies in 2018 leading to moderation in global output. In addition, a combination of factors including: financial market volatilities, trade war between the US and key allies, continuing monetary policy normalization by the US, BREXIT, the termination of the European Central Bank's (ECB) asset purchase program in December 2018 and the slowdown in the Chinese economy, further heightened uncertainties for the global economy in 2019. Consequently,

global growth has been downgraded by the IMF to 3.5 per cent in 2019, from 3.7 per cent in 2018.

The Committee noted the gradual increase in global inflation, with inflationary pressures intensifying in some Emerging Markets and Developing Economics (EMDEs) that had in the recent past faced currency depreciation arising from capital flow reversals arising from progressive monetary tightening by the Federal Reserve. It is, however, expected that the recent decline in oil prices may reverse the trend, especially for oil importing economies and thus moderate currency depreciation in these countries.

Domestic Output Developments

The Committee noted the continued recovery in output growth in the domestic economy after the 2016 recession as real GDP grew by 1.81 per cent in Q3 2018 from 1.50 per cent in Q2 2018. The services and agricultural sectors continued to drive output growth, contributing 1.19 and 0.56 per cent, respectively. However, the persistence of herdsmen attack on farmers, cattle rustling and flooding in some parts of the country affected agricultural and livestock output. Based on the Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMI), output growth for Q4 2018 is expected to expand further. The expected performance projected in the PMI is attributed to continued stability in the foreign exchange market, improvements in the flow of financing resources to the real sector through the various interventions by the Bank, effective implementation of the Economic Recovery and Growth Plan (ERGP) and the increase in non-oil sector GDP. The outlook for growth, however, remains fragile as the late implementation of the 2018 budget and the residual impact of flooding and security challenges, constitute headwinds to growth. The Committee, therefore, believes that the effective implementation of the 2018 capital budget and the ERGP, improvement in the security situation, and continued stability in the

foreign exchange market will enhance aggregate demand and output growth.

Developments in Money and Prices

The Committee noted that the broader measure of money supply, M3, grew by 16.58 per cent in 2018, above the provisional benchmark of 13.02 per cent. Broad money (M2), also grew by 12.17 per cent in December 2018 over its level at end-December 2017, in contrast to the provisional benchmark of 10.48 per cent for 2018. The increase in M2 reflected the growth in Net Foreign Assets (NFA) of 18.54 per cent in December 2018, above its provisional benchmark of 14.50 per cent. Credit to the private sector rose marginally by 1.96 per cent below its provisional benchmark of 12.39 per cent, while credit to government grew by 33.77 per cent in December 2018, above its benchmark rate of 17.38 per cent.

The Committee noted the appreciable growth in credit to the private sector which had been a constraint to growth in the real sector and expressed optimism of further improvement in lending, through the sustained effort of the Bank to enhance credit delivery to small and medium scale industries in the economy. The MPC, thus, commended the Management of the Bank for its efforts so far in sustaining credit delivery to the real sector of the economy.

The resurgence in inflationary pressure in the economy was of concern to the MPC as headline inflation (year-on-year) inched up to 11.44 per cent in December 2018 from 11.28 per cent in November 2018. The increase in headline inflation was driven by food inflation, which rose to 13.36 per cent in December 2018 from 13.30 per cent in November, while Core inflation declined marginally to 9.77 per cent in December 2018 from 9.79 per cent in the previous month. The Committee, however, observed that the uptick in inflation was attributed to seasonal factors, which impacted mainly on food. Consequently, all measures of inflation, month-on-month, showed a decline. Thus, headline, food and core inflation declined to 0.74, 0.81 and 0.50 per

cent in December 2018 from 0.84, 0.90 and 0.68 per cent, respectively, in November 2018.

The Committee observed that the near-term risks to inflation remain: the residual impact of flooding on agricultural output, insecurity in parts of the food producing belts of the country, exchange rate pass-through to inflation due to weakening oil price and campaign-related spending towards the 2019 general elections. Accordingly, the MPC urged the Federal Government to sustain its current effort towards improving security to ease the food supply chain bottlenecks.

Money market interest rates in the review period, generally reflected the level of liquidity in the banking system as the average inter-bank call rate declined significantly to 7.17 per cent in November 2018 from 14.18 per cent in October 2018. The Open Buy Back (OBB) rate, which stood at 6.57 per cent in October 2018, increased marginally to 6.76 per cent in November 2018. On December 24 and 31, 2018, the interbank call and OBB rates, however, closed at 14.00 and 18.94 per cent, respectively. The improvement in net liquidity position and interest rate reflected the combined effects of the CBN quasi-fiscal operations, OMO auctions, maturing CBN Bills and foreign exchange interventions as well as statutory allocations to state and local governments.

The Committee observed the decline in the equities market for the most part of 2018. On a year-on-year basis, the All-Share Index (ASI) decreased by 17.81 per cent from 38,243.19 at end-December 2017 to 31,430.50 at end-December 2018. The All-Share Index (ASI) further decreased by 1.35 per cent to 31,005.17 as at January 18, 2019. Similarly, Market Capitalization (MC) decreased by 13.87 per cent from N13.61 trillion at end-December 2017 to N11.72 trillion at end-December 2018. It further declined by 1.37 per cent to N11.56 trillion as at January 18, 2019. The Committee observed that these developments largely reflected the impact of the progressive monetary policy normalization in some advanced economies and the sustained profit

taking activities of foreign investors arising from perceived political risk in the build-up to the 2019 general elections. The MPC, however, remained optimistic of the gradual reversal of the current trend in the medium term, given the current stability in the foreign exchange market and the external reserves position, as well as continued improvements in key macroeconomic indicators.

The Committee noted the relative stability at both the Bureau-de-Change (BDC) and the Investors' and Exporters' (I&E) window of the foreign exchange market, supported by the Bank's proactive exchange rate management policies. It also observed with satisfaction, the contribution to stability in the market of the implementation of the Bilateral Currency Swap Agreement (BCSA) with China and the inflow of the US\$2.8 billion Euro bond. The Committee also noted the marginal increase in the external reserves, from US\$42.54 billion at end-December 2018 to US\$43.28 billion as at January 21, 2019, noting that these improvements would further strengthen investor confidence in the Nigerian economy.

The Overall Outlook and Risks

Forecasts for key macroeconomic indicators in 2019 portend a positive outlook for the domestic economy. Output growth is expected to be driven by fiscal stimulus from increase in oil and non-oil receipts to support the Federal Government's Economic Recovery and Growth Plan. The economy is projected to grow by 2.0 per cent by the IMF, 2.2 per cent by the World Bank and 2.28 per cent by the CBN. Key headwinds to these forecasts, however, are softening oil prices, persistent security challenges arising from insurgency in the North East, herdsmen attack in some parts of the country and perceived political risks associated with the 2019 general elections.

The outlook for inflation in the first half of 2019 is mixed, with the expectation of an increase in the near-term before a gradual decline towards the mid-

year. Inflation is expected to rise marginally amidst palpable tailwinds, which include increased spending preparatory to the 2019 general elections and continued disruptions to the food supply chain in the insurgency prone areas and herdsmen attacks in food producing regions of the country.

The MPC appraised the possibility of external shocks in 2019 as the outlook for the global economy remains uncertain due to the effect of on-going trade tensions between the US and its key allies, slower growth in China, unclear direction of BREXIT negotiations and continuing monetary policy normalization in some advanced economies. The Committee was of the view that oil prices may, however, remain relatively stable, within the US\$50pb bracket in view of recent OPEC's production cutting actions.

Committee's Considerations

The Committee noted with satisfaction, the performance of the economy in 2018, highlighting the achievements in key macroeconomic indicators in the face of global uncertainties and domestic challenges. In particular, it noted the stability in the exchange rate, stable accretion to external reserves, moderation in inflation and the low but gradual improvement in real GDP growth in the last six consecutive quarters commencing from Q2 2017. The MPC noted that given global economic conditions and the risk confronting emerging markets and developing economies in recent times, as well as the limited productive capacity of the economy, the managed float foreign exchange management regime of the CBN has delivered the most optimal results when compared with other emerging markets in recent times. Consequently, capital flows into the domestic economy has continued unabated after an initial lull. The Committee considered the risks to the global economy, noting the downward revision in projected global output in 2019, the adverse impact of the trade war between the U.S and its major trading partners, likelihood of lower crude oil prices, impact on capital flows of continued monetary policy normalization by major advanced economies,

distorted signals on BREXIT negotiations, as well as pockets of other socio-political tensions and perceived election risks on the domestic front.

The Committee commended the government's focused expenditure on investment in infrastructure and urged the Federal Government to sustain the pace towards addressing the infrastructural deficit in Nigeria. It noted that the immediate impact of this approach on GDP may be slow in coming, but will eventually expand the economy's productive base, reduce unemployment and increase aggregate demand in a more sustainable manner and over a long period of time.

The Committee acknowledged the strategic role of the private sector in economic growth and remained concerned over the slow growth in credit to the private sector through 2018, while noting the sudden increase at end-December 2018. The MPC commended the initiative of the Bankers Committee in addressing the phenomenon of low credit to the small and medium scale enterprises through partnering with the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) to establish a national Microfinance bank with branches in all States and Local Government areas of the Federation to provide low interest rate lending to small scale businesses. A further initiative by NIRSAL with the CBN to de-risk lending to small scale enterprises is also being fine-tuned. On external borrowing, the Committee noted the increase in the debt level, it advised for caution, noting that debt levels could fast be approaching the pre-2005 Paris Club exit level.

The MPC also noted that although there was an increase in the inflation rate for the second consecutive month, month-on-month inflation continued to moderate, indicating that the year-on-year measures will also moderate in the near term. This is supported by the stability in the naira exchange rate and thus, urged the Bank to sustain this stability. To this end, it welcomed the

narrowing of the exchange rate premium between the BDC segment and the Investors' and Exporters' (I&E) window of the foreign exchange market.

The Committee also noted with satisfaction the gradual reduction in Non-Performing Loans of the deposit money banks (DMBs) which has further strengthened their balance sheets. The Committee believes that as Government pays off contractor debt and other obligations, there will be a sizable reduction in the NPLs of the banking system.

The Committee also noted the attempt by Government to broaden the base of the Value Added Tax (VAT) and urged the authorities to expedite action in that respect, arguing that increased tax collection will reduce the pressure on government expenditure and create fiscal buffers to improve macroeconomic management.

The observed and recent high foreign capital inflow into the Nigerian economy despite the perception of election risk, is evidence of the confidence of the international community in the country's macroeconomic management and provides a compelling reason for the Committee to await clarity on macroeconomic performance after the general elections in February and March 2019.

In the light of the observed risk confronting the economy, including the global and domestic inflationary pressures, which have intensified the risk of currency depreciation, the MPC was of the view that a loosening option was very remote. Weighing the balance of its judgement on price stability conducive to growth, the MPC felt that tightening would result in the loss of the gains so far achieved, noting that this may drive the banks to reprice their assets; thus increasing the cost of credit as well as elevating credit risk in the economy. It will also worsen the position of non-performing loans of the banks. The Committee also felt that tightening would dampen investments

and hamper improvements in output growth, given the already fragile growth performance so far achieved.

The Committee's Decision

In the light of the above, the MPC decided by a vote of all eleven (11) members to keep the policy parameters unchanged from their current levels.

In summary, the MPC voted to:

- I. Retain the MPR at 14 per cent;
- II. Retain the asymmetric corridor of +200/-500 basis points around the MPR;
- III. Retain the CRR at 22.5 per cent; and
- IV. Retain the Liquidity Ratio at 30 per cent.

Thank you.

Godwin I. Emefiele

Governor, Central Bank of Nigeria

22nd January, 2019

PART J

**OTHER FINANCIAL INSTITUTIONS
DEPARTMENT CIRCULARS, POLICIES AND
GUIDELINES**



OTHER FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT
Tel: 09-46235439
e-mail: ofisd@cbn.gov.ng
Website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District
Cadastral Zone AO
P.M.B 0187, Garki
Abuja

REF: OFI/DOA/LTT/CON/002/138

October 8, 2021

LETTER TO OTHER FINANCIAL INSTITUTIONS (OFIs)

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS BY OTHER FINANCIAL INSTITUTIONS (OFIs)

On 28 July 2010, the Nigerian Federal Executive Council approved January 1, 2012, as the effective date for adoption of International Financial Reporting Standards (IFRS Standards) in Nigeria.

IFRS Standards are required for the financial statements of all 'public interest entities', which include not only quoted and unquoted companies but also governments, government organisations, and not-for-profit entities that are required by law to file returns with regulatory authorities. All Other Financial Institutions (OFIs) fall under this category by virtue of the requirements to file returns with the Central Bank of Nigeria (CBN).

However, due to some implementation challenges, some concessions were granted to some entities to delay the adoption. Key amongst these challenges was the dearth of required skills by reporting entities and their external auditors. Over time, this knowledge gap has been bridged and more entities have joined the fold of others, who had adopted and prepared their accounts based on this set of Standards. Several efforts had also been made by the CBN to ensure that capacities were built and entities encouraged to do same.

Consequently, all OFIs are by this circular, required from the 2021 financial year, to prepare their annual financial statements (AFS) in accordance and full compliance with IFRS as the Other Financial Institutions Supervision Department of the Central Bank of Nigeria will no longer accept AFS that are not in compliance. The submission of AFS not in compliance with IFRS shall be regarded as non-submission and appropriate penalties imposed thereon.

Finally, OFIs that are just adopting the IFRS Standards for the first time should comply fully with IFRS 1, for first time adopters.

This is for your information and strict compliance.


Nkiru Aslegbu

**Director, Other Financial Institutions Supervision Department
Central Bank of Nigeria**



OTHER FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT
Tel: 09-46235439
e-mail: ofisd@cbn.gov.ng
Website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District
Cadastral Zone AO
P.M.B 0187, Garki
Abuja

OFI/DIR/LTT/GEN/022/153

April 30, 2020

LETTER TO ALL OTHER FINANCIAL INSTITUTIONS (OFIs)

**EXTENSION OF THE TIMEFRAME FOR THE SUBMISSION OF 2019
AUDITED FINANCIAL STATEMENTS**

Pursuant to the provisions of Section 27 (1) (a) of BOFIA, all banks and OFIs are required to forward the audited financial statements of each financial year to the CBN for approval before the end of the fourth month following the year to which they relate. Accordingly, the 2019 Audited Financial Statements should have reached the CBN on or before April 30, 2020.

However, we have observed that the lockdown of most cities in the country due to the coronavirus pandemic has restricted the engagement of External Auditors and the daily operations of all OFIs across the country.

Therefore, the deadline for submission has been extended by three months. For the avoidance of doubt, all Other Financial Institutions are required to submit the 2019 Audited Financial Statements on or before July 31, 2020.

Please note that the Central Bank of Nigeria will monitor compliance with the extended date, and defaulters will be sanctioned accordingly.

Nkiru Asiegbu

Director, Other Financial Institutions Supervision Department
Central Bank of Nigeria



Tel: 09-462-35439
E-mail: ofid@cenbank.org

CENTRAL BANK OF NIGERIA
Other Financial Institutions Supervision Department
33, Tafawa Balewa Way,
Central Business District
P. M. B. 0187
Garki, Abuja.

10th September, 2019

Our Ref: OFI/DIR/DOC/GEN/20/365

RE: LETTER TO ALL OTHER FINANCIAL INSTITUTIONS (OFIs) ON-RENDITION OF RETURNS ON ANTI-MONEY LAUNDERING AND COMBATTING THE FINANCING OF TERRORISM (AML/CFT)

Further to our circular ref: **OFISD/DIR/CIR/GEN/17/128** dated **2nd May, 2017** on the above subject (copy attached), we have observed with concern that many OFIs have not been rendering returns on Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) as required. This is contrary to the relevant provisions of the Money Laundering (Prohibition) Act (MLPA) 2011 (as amended) and CBN AML/CFT Regulations 2013.

As indicated in the circular, all OFIs are required to render the following returns regularly in the prescribed format:

| S/N | Type of Return | Rendered To | Time/Frequency |
|------------|---|--------------------|-----------------------|
| 1 | Currency Transaction Reports (CTRs) | NFIU | Within 7 days |
| 2 | Suspicious Transaction Reports (STRs) | NFIU | Within 24 Hours |
| 3 | Foreign Currency Transaction Reports (FTRs) | CBN | Within 24 Hours |
| 4 | Risk Assessment Report | CBN | Monthly |
| 5 | Politically Exposed Persons (PEPs) | CBN and NFIU | Monthly |
| 6 | Employee Education and Training Program | CBN and NFIU | Annually |
| 7 | Compliance with Employee | CBN and NFIU | Quarterly |

| | | | |
|----|--|--------------|---------------|
| | Training Program | | |
| 8 | Monitoring of Employee Conduct | CBN | Semi-annually |
| 9 | Three Tiered KYC | CBN and NFIU | Quarterly |
| 10 | Testing for the Adequacy of AML/CFT Compliance | CBN and NFIU | Annually |

In view of the foregoing, all defaulting OFIs are hereby strongly warned to render the returns without delay to avoid regulatory sanctions. The returns should be submitted electronically using the attached templates in EXCEL format to the e-mail addresses indicated in the circular.

For returns to the CBN, you are advised to submit through your corporate e-mail as the CBN has restricted all web-based e-mails such as YAHOO or GMAIL from its domain. Alternatively, you may liaise with your umbrella associations for assistance to submit the returns. Equally, OFIs are advised to contact NFIU for guidance on the submission of returns to its platform.

Please note that failure to comply with the above directive will attract decisive sanctions in line with the CBN Administrative Sanctions Regulations 2018 which can be accessed from the CBN website at: www.cbn.gov.ng.

For enquiries, please contact:

1. Oluwafemi M. Ige (08069663317 or omige@cbn.gov.ng)
2. Yunusa Ibrahim (08037860504 or iyunusa@cbn.gov.ng)
3. Mustapha S. Ibrahim (08039162866 or msibrahim@cbn.gov.ng)

Tokunbo Martins (Mrs.)
Director, Other Financial Institutions Supervision Department



Tel: 09-46237401
E-mail: fprd@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Financial Policy and Regulation Department
Central Business District
P.M.B. 0187
Garki, Abuja.

OFI/DIR/GEN/CIR/07/033

September 5, 2019

Circular to all Other Financial Institutions and Mortgage Sector Stakeholders in Nigeria

GUIDE TO CHARGES BY BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA (MAY 2017- REMOVAL OF INTEREST RATE AND CAP IN RESPECT OF PART 2 Section.2.1.3.)

The CBN in 2017, issued the Guide to Charges by Banks and Other Financial Institutions in Nigeria, to moderate charges on various products and services offered by banks and Other Financial Institutions (OFIs) in Nigeria.

Our attention has been drawn to some implementation challenges in respect of part 2 Section 2.1.3 (Mortgage Finance) in respect of the maximum cap of MPR + 5% placed on mortgage finance rates.

The CBN after due consideration of the concerns of stakeholders, hereby amend Part 2 (A & B): interest Rate and Lending Fees Subsection 2.1.3 Mortgage Finance to read "**NEGOTIABLE**". Please note that "subject to a maximum of MPR + 5%" is no longer applicable.

This new provision takes effect from September 9, 2019.

Please be guided accordingly.

A handwritten signature in blue ink, appearing to read 'Kevin N. Amugo'.

KEVIN N. AMUGO
DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT



OTHER FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT
Tel: 09-46235439
e-mail: ofisd@cbn.gov.ng
Website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District
Cadastral Zone AO
P.M.B 0187, Garki
Abuja

September 3, 2019

OFI/DIR/CIR/GEN/20/349

LETTER TO ALL DFIs

ESTABLISHMENT AND OPERATION OF SUBSIDIARIES AND SPECIAL PURPOSE VEHICLES

We have noted the spate of requests from Development Finance Institutions (DFIs) for special regulatory approvals to operate special purpose vehicles (SPVs) in furtherance of operational objectives. It is important that DFIs are transparent in their financial reporting and remain focused on their core objectives.

In this regard, DFIs are henceforth required to provide comprehensive disclosures on all subsidiaries and SPV operations. In the same vein, the same regulatory standards that apply to the parent DFI will apply to the subsidiaries and/or SPV.

Specifically, DFIs are required to:

1. Submit returns on all SPVs including details of ownership, corporate governance structure, statements of assets and liabilities, income and expenditures, project(s) status, possible risk exposure and mitigants, along with own regulatory returns.
2. Report on the Financial soundness indicators / prudential ratios of the DFI calculated on a solo and consolidated basis.
3. Present for approval, its Audited accounts along with that of the SPVs on a consolidated basis.
4. Meet a consolidated leverage ratio of at least 10% [Common Equity: Total Assets (On and Off-Balance Sheet inclusive)] at all times.

Finally, DFIs are required to note that:

1. Approval of new SPVs shall depend on the successful performance of earlier approved ones and the meeting of the consolidated prudential ratios, leverage ratio and business objectives at all times.

2. A consolidated risk-based examination of all subsidiaries and/or SPVs will be conducted on a periodic basis.

Please note that failure to comply with these requirements would be viewed as a violation of the provisions of the DFIs' Guidelines, and would be appropriately sanctioned.



TOKUNBO MARTINS (Mrs.)
Director, Other Financial Institutions Supervision Department



09-462-35439
ofid@cenbank.org

CENTRAL BANK OF NIGERIA

Other Financial Institutions Supervision Department
33, Tafawa Balewa Way,
Central Business District
P. M. B. 0187
Garki, Abuja.

20th June, 2019

OFI/DIR/DOC/GEN/020/252

LETTER TO ALL MICROFINANCE BANKS (MFBs) ON THE REVISED NATIONAL FINANCIAL INCLUSION TARGETS

It will be recalled that the National Financial Inclusion strategy (NFIS) was launched in October 2012 and revised in 2018 with the major objective of increasing the percentage of adult Nigerians who own bank accounts and use formal financial services from the baseline figure of 46.3% in 2010 to 80% by 2020.

Over the last six years of implementation of the strategy, microfinance banks have contributed significantly towards the realization of the stated objective. As at the end of 2018, 63.2% or 63 million adult Nigerians were financially served leaving an inclusion gap of 36.8% or 36.6 million adult Nigerians that need to be included. Given the short time to the end of the target date, it has become expedient for all stakeholders to double efforts towards the realization of the targeted 80% inclusion rate.

In a bid to mobilize stakeholders on the Revised National Financial Inclusion Strategy (NFIS 2.0) and accelerate progress towards the achievement of the target, the CBN held a stakeholders' forum for all financial service providers in the six geo-political zones in the first and second quarters of 2019 which was attended by representatives of MFBs. The objective of the Forum was to expose stakeholders to the detailed provisions of the Revised Strategy (NFIS 2.0) and their expected roles/responsibilities in the financial inclusion agenda.

One of the major resolutions reached at the event was the setting of a target for each branch of a microfinance bank to acquire 64 new customers per month. This translates to 774 new bank accounts (measured by new BVN registration) per branch per year. Given the urgency of this task, it is important to cascade the target to your branches for their information and implementation.

Consequently, all MFBs are hereby requested to implement the above resolution and disseminate same to all their branches (where applicable) to ensure concerted efforts towards achieving the overarching target of 80% financial inclusion by the year 2020.

A monthly report/update on new customers on-boarded should be submitted to the **Director, Other Financial Institutions Supervision Department** using the attached format and a soft copy sent to the officers listed below: For any inquiries and feedback, please also contact the same persons;

- Ms. Sophia Abu, soabu@cbn.gov.ng; 08037018412
- Mr. Hilary Ewubo, hdewubor@cbn.gov.ng; 08034167600.

Thank you for your cooperation.


Tokunbo Martins (Mrs.)

Director, Other Financial Institutions Supervision Department

PART K

PAYMENT SYSTEM MANAGEMENT
CIRCULARS, POLICIES AND GUIDELINES



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PSM/DIR/PUB/CIR/01/027

October 12, 2021

Circular To All Deposit Money Banks, Mobile Money Operators, Super Agents and Payment Service Providers

ISSUANCE OF REVISED REGULATORY FRAMEWORK FOR BANK VERIFICATION NUMBER (BVN) OPERATIONS AND WATCH-LIST FOR THE NIGERIAN BANKING INDUSTRY

The Central Bank of Nigeria (CBN) in line with its objective of promoting financial system stability hereby issues the Revised Regulatory Framework for Bank Verification Number (BVN) Operations and Watch-List for the Nigerian Banking Industry.

The Framework enhances effectiveness of customer due diligence and Know Your Customer processes as part of the overall strategy for promoting a safe and efficient banking and payment system.

The CBN will continue to monitor industry developments and issue further guidance as may be appropriate.

Musa I. Jimoh
Director, Payments System Management Department



CENTRAL BANK OF NIGERIA

**REGULATORY FRAMEWORK FOR BANK VERIFICATION NUMBER
(BVN) OPERATIONS AND WATCH-LIST FOR THE NIGERIAN
BANKING INDUSTRY**

(OCTOBER, 2021)

Table of Contents

| | |
|---|----|
| Preamble..... | 4 |
| 1.0 Regulatory Framework For Bank Verification Number (BVN) Operations..... | 4 |
| 1.1 Introduction..... | 4 |
| 1.2 Objectives..... | 4 |
| 1.3 Scope..... | 5 |
| 1.4 BVN Operations..... | 5 |
| 1.4.1 Participants in BVN Operations and Watch-list..... | 5 |
| 1.5 Roles and Responsibilities..... | 5 |
| 1.5.1 Central Bank of Nigeria..... | 5 |
| 1.5.2 Nigeria Inter-Bank Settlement System Plc (NIBSS)..... | 6 |
| 1.5.3 Banks and Other Financial Institutions (OFIs)..... | 7 |
| 1.5.4 Customers..... | 9 |
| 1.6 BVN Operational Processes and Procedures..... | 9 |
| 1.7 Access to the BVN Database*..... | 10 |
| 1.8 Request for BVN Information..... | 11 |
| 1.9 Restrictions on the Use of BVN..... | 11 |
| 1.10 Access Fees..... | 11 |
| 1.11 Security and Data Protection..... | 11 |
| 1.12 Risk Management..... | 12 |
| 1.13 Consumer Protection and Dispute Resolution..... | 12 |
| 1.14 Updating Customer's BVN Records..... | 12 |
| 2.0 WATCH-LIST FOR THE NIGERIAN BANKING INDUSTRY..... | 13 |
| 2.1 Identify Nature of Breach..... | 13 |
| 2.2 Fair Hearing..... | 14 |

| | | |
|-------|--|----|
| 2.3 | Categories of Breaches | 14 |
| 2.4 | Watch-List Stakeholders..... | 14 |
| 2.5 | Delisting from Watch-List..... | 15 |
| 2.6 | Conditions for Delisting..... | 15 |
| 2.7 | Process for Delisting | 15 |
| 2.7.1 | Automatic delisting..... | 15 |
| 2.7.2 | Manual delisting..... | 15 |
| 3.0 | SANCTIONS AND PENALTIES | 16 |
| 3.1 | Breach of Framework..... | 16 |
| 3.1.1 | Sanctions for customers with BVNs on Watch-list..... | 16 |
| 3.1.2 | Sanctions for Participants..... | 17 |
| | Glossary of Terms | 21 |
| | Appendix I..... | 22 |

Preamble

In exercise of the powers conferred on the Central Bank of Nigeria (CBN), under the Central Bank of Nigeria Act, 2007 (CBN Act), and the Banks and Other Financial Institutions Act (BOFIA) 2020, the CBN hereby issues the revised Regulatory Framework for the Bank Verification Number (BVN) Operations and Watch-list for the Nigerian Banking Industry (“the Framework”).

1.0 Regulatory Framework For Bank Verification Number (BVN) Operations

1.1 Introduction

The Central Bank of Nigeria, in collaboration with the Bankers’ Committee, deployed a centralised Bank Verification Number (BVN) System in February 2014. This is part of the overall strategy of ensuring effectiveness of Know Your Customer (KYC) principles, and promotion of safe, reliable and efficient payments system. The BVN system gives each customer in the Nigerian banking industry, a unique identifier number.

This Framework defines the operations of BVN as well as the establishment and operations of a Watch-list for the Nigerian Banking Industry, to address increasing incidence of frauds and to enhance public confidence in the banking industry.

This Framework, without prejudice to existing laws, is a guide for the operations of the Watch-list in the Financial System. The Watch-list is a database of customers identified by their BVNs, who have been involved in confirmed cases of breaches, as defined within the framework.

1.2 Objectives

The objectives of the Regulatory Framework for BVN and Watch-list Operations in Nigeria are to:

- i. Define roles and responsibilities of participants in the BVN system;

- ii. Define Bank Verification Number (BVN) operations in Nigeria;
- iii. Define access, usage and management of the BVN system;
- iv. Outline operations of the BVN Watch-list process;
- v. Define sanction regime for breaches in BVN operations; and
- vi. Deter fraud incidences in the Nigerian Banking Industry.

1.3 Scope

The Framework provides regulations for BVN operations and Watch-list for the Nigerian Banking Industry.

1.4 BVN Operations

BVN operation comprises all activities leading to the management of the unique banking identification of customers in the BVN database.

1.4.1 Participants in BVN Operations and Watch-list

This Regulatory Framework shall guide the activities of the participants in the provision of BVN Operations and Watch-list. Participants include:

- i. Central Bank of Nigeria (CBN);
- ii. Nigeria Inter-Bank Settlement System Plc (NIBSS);
- iii. Banks;
- iv. Other Financial Institutions (OFIs); and
- v. Customers.

1.5 Roles and Responsibilities

1.5.1 Central Bank of Nigeria

The Central Bank of Nigeria has the regulatory and oversight function on the BVN system in Nigeria. Therefore, the CBN shall:

- i. Review and approve the regulatory Framework and the Standard Operating Guidelines;
- ii. Approve eligible users for access to the BVN information;
- iii. Approve access to the BVN information;
- iv. Ensure that the objectives of the BVN initiatives are fully achieved;

- v. Monitor stakeholders to ensure compliance;
- vi. Apply appropriate sanctions for non-compliance;
- vii. Through the Director, Payments System Management Department, conduct oversight and operate the BVN system in the Bank (including update and request for information);
- viii. Through the Director, Risk Management Department, approve requests for delisting from the Watch-list;
- ix. Through the Director, Risk Management Department, in collaboration with relevant departments, mediate on issues arising from the Watch-list between participants;
- x. Through, the Director, Consumer Protection Department, handle consumer complaints on BVN.

1.5.2 Nigeria Inter-Bank Settlement System Plc (NIBSS)

NIBSS shall:

- i. Collaborate with other stakeholders to develop and review the Standard Operating Guidelines of the BVN (BVN SOG);
- ii. Ensure seamless operations of the BVN system;
- iii. Maintain the BVN database;
- iv. Manage access to the BVN information by the approved users;
- v. Ensure recourse to the CBN on any request for BVN information by any party;
- vi. Ensure adequate security of the BVN information;
- vii. Update the Watch-list with the BVNs of enlisted individuals by participants;
- viii. Use the Watch-list report submitted by participants and duly endorsed by the MD/CEO of the bank, with clearance from the Director, Risk Management Department of CBN to delist the BVN from the watch-list;
- ix. Provide participants with a portal for the verification of watch-listed BVN;
- x. Provide Application Programming Interface (API) for eligible institutions to integrate their systems to the BVN database for online validation of watch-listed BVN;
- xi. Keep audit trail of activities on the Watch-list;
- xii. Put in place a Service Level Agreement (SLA) with relevant stakeholders;

-
- xiii. Provide CBN access to the Watch-list;
 - xiv. Comply with the International Organisation for Standardisation (ISO) standards for security and business continuity;
 - xv. Maintain a Watch-list Portal; and
 - xvi. Perform any other role assigned or incidental to the BVN operations.

1.5.3 Banks and Other Financial Institutions (OFIs)

Banks and Other Financial Institutions shall be involved in the BVN operations as approved by CBN including the following:

- i. Ensure proper capturing of the BVN data (including BVN captured by their agents) and validate same before the linkage with customers' accounts/wallets (except Tier 1) in line with the provisions in the SOG;
- ii. Ensure all operated accounts/wallets (except Tier 1) (including accounts/wallets (except Tier 1) opened through agents) are linked with the signatories' BVNs within 24 hours of NIBSS making BVN available;
- iii. Enroll all mobile money wallets (except Tier 1) subscribers on the BVN database and link their wallets (except Tier 1) with their BVNs within one hundred and eighty days (180) days of the issuance of this framework;
- iv. Ensure that BVN details of all signatories, Directors, and Beneficial owners are linked to their respective non-individual accounts/wallets (except Tier 1). This is also mandatory for Non-resident Non-Nigerian Directors (NRNND) of corporate accounts;
- v. Ensure customer's name on the BVN database is the same in all of his/her accounts/wallets (except Tier 1) across the Banking Industry;
- vi. Report the BVNs of individuals in breach to NIBSS for update on the Watch-list within 1 business day of breach;
- vii. Report the BVNs of confirmed deceased customers to NIBSS for designation as "DECEASED" on the BVN database within 24hrs of confirmation;
- viii. Use the Watch-list report submitted by participants and duly endorsed by the MD/CEO of the Institution, with clearance from the Director, Risk Management Department of CBN to delist the BVN from the watch-list.

- ix. Notify NIBSS for enlisting individuals involved in established breaches signed by the Chief Audit Executive;
- x. Where a participant needs to watch-list a customer of another bank, the Chief Audit Executive of the customer's bank shall be notified;
- xi. The Chief Audit Executive of the customer's bank, upon notification of a breach, shall investigate within one (1) month and after confirmation of the breach, request for the watch-list of the customers' BVN within two (2) business days. The investigating bank shall inform the requesting bank of its action on the customer. A copy of the finalized report of the internal investigation should be sent to CBN, through the Director, Risk Management Department;
- xii. Request for the Delisting of individuals from the Watch-list, after clearance from the CBN;
- xiii. Integrate the banking application to the Watch-list, for online identification/verification of watch-listed individuals as transactions occur;
- xiv. Enforce appropriate sanctions on customers' accounts/wallets (except Tier 1) as stipulated in the sanctions grid;
- xv. Update the terms and conditions of account/wallet opening forms with the following disclaimer for new accounts and communicate the update to existing customers:

 'If a breach is associated with the operation of your account/wallet, you agree that we have the right to apply restrictions to your account/wallet and report to appropriate law enforcement agencies in line with extant laws';
- xvi. Use the BVN API only for account opening, maintenance and validation in order to ensure full compliance with relevant data privacy laws; and
- xvii. Perform any other role assigned or incidental to the BVN operations, as may be applicable.

1.5.4 Customers

Customers shall:

- i. Provide accurate biometrics and biodata. Customers role and responsibilities shall also include the reporting of any changes in their biometric (e.g. loss of a finger) and biodata;
- ii. Abide by the Regulatory Framework for BVN Operations and Watch-list; and
- iii. Report all suspicious or unauthorized activities on their accounts/wallets (except Tier 1) to their banks /OFIs;

1.6 BVN Operational Processes and Procedures

These are:

- i. Enrollment: This is the process where individuals have their biometric and demographic data captured in the BVN database.
- ii. Identification: This refers to the comparison of an individual's biometrics against the BVN database to confirm the individual had not been previously enrolled and a BVN generated.
- iii. Verification: This refers to the process of authenticating the customer by matching his/her biometric template with what had been captured in the database.
- iv. Issuance: Following the generation of the BVN, the customer shall be notified of the BVN by the capturing institution through any of the following: card, voucher, email, SMS, letter, etc.
- v. Linking of Customer's BVN to all related accounts/wallets (except Tier 1): This is a process of using the customer's BVN generated after his/her enrolment to link accounts/wallets (except Tier 1) to which he or she is a signatory, after validation. No new account/wallet (except Tier 1) shall be allowed to operate without BVN (except inflows), however, any account/wallet (except Tier 1) without BVN shall be closed within 30 days.
- vi. Delinking of Customer's BVN from accounts/wallets (except Tier 1): This is the process of removing the BVN of a signatory (except for Directors/

Beneficial owners) that is linked to an account/wallet (except Tier 1). The BVN shall be delinked upon the approval of the Chief Audit Executive of the customer's bank. This delinking process is for corporate or joint accounts and for activities not associated with breaches. Returns on delinked accounts/wallets (except Tier 1) shall be rendered to the Director, Payments System Management Department on a monthly basis. Where there is no linked account a nil report should be submitted.

- vii. Fraud Management: This is a process aimed at using BVN to deter, prevent, detect and mitigate the risks of fraud in the banking industry.
- viii. Customer Information Update: This is the process by which the customer's information can be updated on the BVN database.

1.7 Access to the BVN Database*

Except for Tier 1 users of the BVN database i.e. banks, Other Financial Institutions and Mobile Money Operators (who have direct access), access** to the BVN database shall be approved by the CBN and guided in line with the following grid:

| S/N | TIER 1 USERS OF BVN DATABASE | ACCESS TYPE | ACCESS RULES |
|-----|---|---|--------------------------------------|
| 1 | Banks | Direct Access (Do Not Require CBN's Approval) | Treat with strict confidentiality |
| 2 | Other Financial Institutions (excluding PSPs) | | Requires consent of customers |
| S/N | TIER 2 USERS OF BVN DATABASE | ACCESS TYPE | ACCESS RULE |
| 1 | Payments Service Providers | Through NIBSS as defined in the BVN SOG | Requires consent of customers |
| 2 | Credit Bureau | | |
| 3 | Other entities that may be approved by the CBN | | |

* Details of operational procedures guiding the access to the BVN database shall be as contained in the BVN SOG.

** Foreign entities shall not be allowed access to the BVN database.

1.8 Request for BVN Information

Without prejudice to the extant laws of Nigeria, the following entities*** may be granted BVN information upon presentation of valid Federal High Court orders:

- i. Law Enforcement Agencies;
- ii. National Pension Commission;
- iii. Pension Fund Administrators; and
- iv. Other entities as may be approved.

***Individuals are not eligible to access BVN information, other than their own.

1.9 Restrictions on the Use of BVN

The use of BVN shall be restricted only to purposes specified by the CBN. The following shall constitute abuse of the BVN:

- i. Use of BVN to sanction individuals for non-financial offences;
- ii. Use of BVN for identification outside the banking system; and
- iii. Any other misuse, as may be designated by the CBN.

1.10 Access Fees

The CBN shall determine fees payable for accessing information from the BVN database.

1.11 Security and Data Protection

- i. Parties involved in the BVN operations, shall put in place, secure hardware, software and encryption of messages transmitted through a secured network;
- ii. BVN data shall be stored within the shores of Nigeria and shall not be routed across borders without the consent of the CBN;
- iii. Users of the BVN information shall establish adequate security procedures to ensure the safety and security of its information and those

- of its clients, which shall include physical, logical, network and enterprise security;
- iv. Access to BVN information by customers shall be obtained through secured channels with appropriate authentication;
 - v. BVN participants shall ensure that BVN information is treated as confidential; and
 - vi. All stakeholders shall comply with Nigeria Data Protection Regulation (NDPR) or any regulation of the Bank on data protection and relevant extant laws.

1.12 Risk Management

BVN participants shall ensure that risk mitigation measures are in place to minimise operational risks. The BVN operations shall not be susceptible to sustained operational failures.

1.13 Consumer Protection and Dispute Resolution

All consumer complaints shall be resolved in accordance with the CBN Consumer Protection Regulation.

1.14 Updating Customer's BVN Records

Change of customer records shall be allowed as follows:

- i. Correction of date of birth on BVN record shall be allowed once, with supporting documents, evidencing the correct date of birth;
- ii. Change of Name due to marriage/divorce/religion shall only be allowed with supporting documents, such as marriage certificate/divorce certificate/affidavit, newspaper adverts, etc.;
- iii. Minor correction of name, due to misspelling shall only be allowed, with supporting documents and regulatory forms of identification such as international passport, driver's licence and NIMC ID, showing the correct name;
- iv. Change of names that are totally different or partially different shall only be allowed after the customer has produced supporting documents to the change of the name, and this shall be reported to the Nigerian Financial

- Intelligence Unit (NFIU) as a suspicious act by the participant. The NFIU shall issue appropriate clearance in the case of a totally different name before effecting the change;
- v. The customer's name on the BVN database shall be the same in all his/her accounts, across the banking industry;
 - vi. Customers who wish to close their accounts/wallets (except Tier 1) shall be allowed to do so. Where the account/wallet (except Tier 1) is not linked with the BVN, a payment instrument shall be issued in the same name in which the account/wallet was opened. In cases where the balance on the account/wallet(except Tier 1) is more than what is legally allowed on a paper instrument (i.e. ₦10 million) the bank shall seek and obtain clearance from the NFIU before such accounts/wallets(except Tier 1) can be closed and the balance transferred electronically to another account;
 - vii. Timeline for the resolution of BVN issues shall be 5 working days from the date the customer submits all the required documents; and
 - viii. Following corrections/updating of details, the customer shall be notified by the institution that made the changes through any of the following: email, SMS, letter, etc.

2.0 WATCH-LIST FOR THE NIGERIAN BANKING INDUSTRY

A Watch-List shall be maintained for the banking industry. The Watch-List contains BVN records of individuals that have been confirmed to be involved in breaches outlined within this Framework (see Appendix I).

In determining what constitutes a breach, participants shall adhere to the following procedures:

2.1 Identify Nature of Breach

Upon receipt of a report of an alleged breach, the participants shall, within one (1) month, investigate the alleged breach with a view to determining the nature of the breach, where and when it occurred.

2.2 Fair Hearing

Once a breach is established, in the process of investigation/fair hearing, a customer's account shall be placed on Post-No-Debit (PND), the customer shall be notified through verifiable means within five (5) business days:

- i. At a minimum, the notification shall clearly state the breach and the consequences which include watch-listing;
- ii. The customer(s) shall be given the opportunity to present documentary evidence that may affect the decision within three (3) business days; and
- iii. Where decision to watch-list the BVN is reached, the customer shall be notified through verifiable means.

2.3 Categories of Breaches

Breaches include, but not limited to, the list in Appendix I. For watch-listing, the participants shall use 'Table 1' below to classify/categorise breaches:

Table 1: Watch-list Classification

| S/No | Description | Category |
|-------------|--|-----------------|
| 1 | Any Breach without monetary value. | 0 |
| 2 | Any Breach with monetary value | 1 |
| 3 | When a customer is watch-listed more than once | 2 |
| 4 | Deceased Customer | 33 |
| 5 | Any breach with individual at large | 99 |

2.4 Watch-List Stakeholders

Watch-list stakeholders include:

- i. CBN
- ii. Nigeria Inter-Bank Settlement System Plc (NIBSS)
- iii. Banks/Other Financial Institutions (OFIs)
- iv. Customers

2.5 Delisting from Watch-List

All aggrieved individuals whose BVNs were watch-listed shall make formal request for delisting through the initiating participant. Only a participant that placed an individual's BVN on the Watch-list can request for delisting.

2.6 Conditions for Delisting

- i. Expiration of term in the Watch-List.
- ii. Erroneous listing of a BVN on the Watch-List.

2.7 Process for Delisting

The processes for delisting are automatic or manual.

2.7.1 Automatic delisting

Once a watch-listed BVN has served its term in the Watch-List, the NIBSS system shall automatically delist the BVN and notify the participant, who shall in-turn notify the customer.

2.7.2 Manual delisting

- i. Where it is established that a customer's BVN should be delisted, the initiating participant shall apply in writing with supporting documents to the CBN for approval to delist. The supporting documents shall be duly authorised by the MD/CEO and the Chief Audit Executive.
- ii. Upon approval from CBN, the initiating participant shall be notified while Risk Management Department, CBN shall forward same to NIBSS for delisting within one (1) business day. NIBSS shall effect the delisting within one (1) business day of receiving the letter.
- iii. The initiating participant shall immediately notify the customer.

3.0 SANCTIONS AND PENALTIES

3.1 Breach of Framework

Any participant who fails to perform its stipulated responsibilities shall be penalised by the Central Bank of Nigeria.

3.1.1 Sanctions for customers with BVNs on Watch-list

The following penalties shall apply to customer whose BVN is on the Watch-list:

- i. They shall not be allowed to enter new relationship with any participant.
- ii. A participant may choose not to continue business relationship with account/wallet (except Tier 1) holder on the Watch-list.
- iii. Where a participant chooses to continue an existing business relationship with holders of account/wallets(except Tier 1) on the watch-list, the account/wallet(except Tier 1) holder shall be prohibited from all electronic channels such as but not limited to ATM, POS, Internet Banking, Mobile Banking, USSD including issuance of third-party cheques. However, inflows may be allowed, provided these are from legitimate sources.
- iv. A customer with watch-listed BVN shall not reference accounts, access or guarantee credit facilities.
- v. A customer shall remain on the Watch-list for a period as specified in 'Table 2: Watch-list Penalties' below.
- vi. In the event of a recurrence of breach, the penalty period shall run consecutively.
- vii. Subject to the provision of Section 1.9, penalties associated with a watch-listed BVN shall apply to all accounts/wallets (except Tier 1) the BVN is linked to.

Table 2: Watch-list Penalties

| S/N | Infraction | Category | Penalty |
|------------|---|-----------------|---|
| 1 | Any Breach without monetary value | 0 | As stipulated in Section 3.1.1 above for a period of five (5) years. |
| 2 | Any Breach with monetary value | 1 | As stipulated in Section 3.1.1 above for a period of ten (10) years. |
| 3 | When a customer is watch-listed more than once | 2 | As stipulated in Section 3.1.1 above for a period of ten (10) years and transactions are limited to the domiciled branch. |
| 4 | When a customer is deceased | 33 | As stipulated in Section 1.5.3 (vii). |
| 5 | Any breach with Individual at large(Timeline 72hrs of no contact) | 99 | As stipulated in Section 3.1.1 above and 'POST NO DEBIT' on all accounts linked to the BVN (in line with extant laws). |

3.1.2 Sanctions for Participants

The following infractions by participants shall attract appropriate penalties:

- i. Misuse of the BVN watch-listing process for victimisation;
- ii. Improper linking of accounts/wallets (except Tier 1); and
- iii. Other infraction(s), as may be determined by CBN.

Table 3: Infraction Penalties for Participants

| S/N | RESPONSIBILITY | INFRACTION | SANCTION |
|-----|---|---|--|
| 1 | No account/wallet(except Tier 1) shall operate without BVN. | Operating an account without BVN. | ₦2,000,000 penalty per infraction/customer, 15% of the total amount credited into the account during the period infraction exists and ₦20,000 penalty per infraction/customer per day after the infraction exists. |
| 2 | Ensure proper capturing of the BVN data (including BVN captured by their agents) | i. Failure to capture customers' biometrics and biodata in line with the BVN Framework. | i. ₦2,000,000 penalty per infraction/customer |
| 3 | Ensure validation and Linkage BVN data | i. Failure to validate in-line with the BVN Framework and BVN SOG. | ₦2,000,000 penalty per infraction/customer |
| 4 | Ensure all operated accounts/wallets (except Tier 1) (including accounts/wallets (except Tier 1) opened through agents) are linked with the signatories' BVN within 24 hours of NIBSS making BVN available. | Failure to comply with the Framework and BVN SOG. | ₦200,000 penalty per infraction/customer. ₦20,000 penalty per infraction/customer per day after the infraction exists. |

| S/N | RESPONSIBILITY | INFRACTION | SANCTION |
|-----|--|--|---|
| 5 | Ensure that BVN details of all signatories, Directors, and Beneficial owners are linked to their respective non-individual accounts/wallets (except Tier 1). This is also mandatory for Non-resident Non-Nigerian Directors (NRNND) of corporate accounts. | Failure to comply with the Framework and BVN SOG. | <p>₦200,000 penalty per infraction/customer.</p> <p>₦20,000 penalty per infraction/customer per day after the infraction exists.</p> |
| 6 | Report the BVN of individuals in breach to NIBSS for update of the Watch-list. | Failure to report customers' BVN for watch-listing. | ₦200,000 penalty per infraction/customer. |
| 7 | Report the BVN of confirmed deceased customers to NIBSS for designation as "DECEASED" on the BVN database within 2 business days. | <p>i. Failure to correctly report the BVN of deceased customer.</p> <p>ii. Failure to follow due process in confirming and designating a customer as 'DECEASED'.</p> | <p>₦100,000 penalty per infraction/customer.</p> <p>₦20,000 penalty per infraction/customer per day after the infraction exists.</p> |
| 8a | Where a bank needs to watch-list a customer of another participating bank , the Chief Audit Executive of the customer's bank shall be notified. | Failure to inform in line with the procedure for watch-listing. | <p>₦100,000 penalty per infraction/customer.</p> <p>Administrative sanctions may be imposed by the Bank.</p> <p>₦5,000 penalty per infraction/customer per day after the infraction exists.</p> |

| S/N | RESPONSIBILITY | INFRACTION | SANCTION |
|-----|---|---|---|
| 8b | Upon notification the Chief Audit Executive shall comply with the procedure for investigating and watch listing the customer. | Failure to comply with the procedure for watch-listing. | ₦ 200,000 penalty per infraction/customer and ₦ 20,000 per day for every day the infraction subsists. |
| 9 | Enforce the appropriate sanctions on customers as stipulated. | Failure to comply with the Framework. | ₦ 100,000 penalty per infraction/customer. |
| 10 | Use the BVN API only for account/wallet opening, maintenance and operational purposes and ensure full compliance with relevant data privacy laws. | Failure to comply with the Framework and SOG. | ₦ 200,000 penalty per infraction/customer. |

Glossary of Terms

BVN Operations – process involving enrollment, identification, validation, verification, linking of customers BVN to all related bank accounts/wallets(except Tier 1), offline authentication, fraud management and customer information update.

Initiating Participant – Any participant that requests the BVN of a customer for watch-listing.

ISO – International Organisation for Standardisation.

Participants – Entities or individuals involved in the BVN operations.

Stakeholders – Entities or individuals who have an interest (business or otherwise) in BVN database.

Appendix I

List of Breaches

- i. Use of forged document
- ii. Forgery
- iii. Compromise
- iv. Complicity and connivance
- v. Duplicate enrolment
- vi. Use of fictitious information
- vii. Receipts of proceeds of deception
- viii. Deception
- ix. Receipts of fraudulent proceeds
- x. Any infractions on AML/CFT laws
- xi. Dishonest acts
- xii. Non-cooperation with efforts (as stipulated in the Regulation on Instant Interbank Electronic Funds Transfer) to reverse wrong credit, erroneous, multiple or duplicated payments or credits
- xiii. Any infringement of the Cybercrimes (Prohibition, Prevention, etc.) Act, 2015
- xiv. Misuse of identity
- xv. Misrepresentation/Identity theft
- xvi. Misuse of financial information
- xvii. Breach of confidentiality
- xviii. Falsification
- xix. Concealment of relevant information
- xx. Conspiracy
- xxi. Extortion
- xxii. False representation
- xxiii. Any other fraudulent infraction

October, 2021
Central Bank of Nigeria, Abuja



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psm@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PSM/DIR/PUB/CIR/01/026

September 6, 2021

Circular

To: Banks and Payment Service Providers

DISAGGREGATION OF BULK PAYMENT

The Central Bank of Nigeria (CBN) has noticed the inherent problems associated with the processing of bulk transfers by banks and payment service providers (PSPs). Currently, originating banks and PSPs pass a single debit entry through the initiating customer's account and multiple credits to beneficiaries without adequate records of the credit entries in their system. This distorts the audit trail and hampers transparency.

In order to address this challenge, the CBN hereby directs that all end-to-end bulk payments or transfers shall henceforth be processed on the platforms of banks or PSPs for their customers with a detailed breakdown of the accounts that receive the credits retained in the custody of the sender's banks.

All banks and PSPs are required to ensure full compliance with this requirement and all other payment system regulations.

Please be guided accordingly.

A handwritten signature in black ink, appearing to read 'Musa I. Jimoh'.

Musa I. Jimoh

Director, Payments System Management Department



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PSM/DIR/CON/CWO/20/095

August 3, 2021

CIRCULAR TO ALL DEPOSIT MONEY BANKS, PAYMENT SERVICE PROVIDERS AND OTHER FINANCIAL INSTITUTIONS ON ISSUANCE OF THE GUIDELINES FOR LICENSING AND REGULATION OF PAYMENTS SERVICE HOLDING COMPANIES IN NIGERIA

The Central Bank of Nigeria (CBN) recently issued the CBN Circular on New Licence Categorisations for the Nigerian Payments System (ref: PSM/CIR/GEN/CIR/01/22) which requires companies, desirous of offering switching and processing services and mobile money services, to set up a Payments Service Holding Company (PSHC) structure, such that the activities of the subsidiaries are clearly delineated.

The CBN, hereby issues the Guidelines for Licensing and Regulation of Payments Service Holding Companies in Nigeria to facilitate the understanding of regulatory requirements for operations of a Payments Service Holding Company (PSHC) in Nigeria.

All stakeholders are required to ensure strict compliance with these Guidelines and all other regulations.

Please be guided accordingly.

A handwritten signature in black ink, appearing to read 'Musa I. Jimoh'.

Musa I. Jimoh
Director, Payments System Management Department



**GUIDELINES FOR LICENSING AND REGULATION OF
PAYMENTS SERVICE HOLDING COMPANIES IN
NIGERIA**

APPROVED

Contents

| | |
|--|----|
| 1.0 INTRODUCTION..... | 3 |
| 2.0 DEFINITION AND STRUCTURE OF PSHC | 4 |
| 2.1 Definition | 4 |
| 2.2 Non-Operating | 4 |
| 2.3 Structure..... | 4 |
| 2.4 Excise of Subsidiary from a Payments Service Holding Company | 5 |
| 3.0 LICENSING REQUIREMENTS | 5 |
| 3.1 Requirements for grant of Approval-In-Principle (AIP)..... | 5 |
| 3.2 Requirements for Granting a Final Licence | 8 |
| 3.3 Requirements for commencement of operations | 9 |
| 3.4 Post commencement requirements | 9 |
| 4.0 CORPORATE GOVERNANCE..... | 9 |
| 4.1 Ownership and Control | 10 |
| 4.2 Change in Ownership Structure..... | 11 |
| 5.0 PERMISSIBLE ACTIVITIES | 12 |
| 6.0 NON-PERMISSIBLE ACTIVITIES..... | 12 |
| 6.1 Internal Management of Subsidiaries | 13 |
| 6.2 Intra-Group Transactions | 13 |
| 6.3 Appointment of Directors and Top Management | 14 |
| 6.4 Intra-Group Transfer of Non-Current Assets | 14 |
| 7.0 PRUDENTIAL REGULATION OF PSHC | 15 |
| 7.1 Minimum Paid-Up Capital and Capital Reserves | 15 |
| 7.2 Payment of Dividends | 15 |
| 7.3 Acquisition of Subsidiaries | 15 |
| 7.4 Investment in Non-Current Assets | 16 |
| 7.5 Limit on Contingent Liabilities | 16 |
| 7.6 Minimum Capital Requirements of Subsidiaries | 16 |
| 8.0 SUPERVISION | 16 |
| 8.1 Responsibility for Supervision of PSHC..... | 16 |
| 8.2 Supervision of Payments Service Holding Companies | 16 |
| 9.0 GUIDE NOTES | 17 |

1.0 INTRODUCTION

The Central Bank of Nigeria (CBN), in line with its commitment to promote an efficient and credible payments system, approved new licence categorisations for participants in the payments system. The regulation requires companies desirous of operating more than one licence category, to set up a Payments Service Holding Company (PSHC) (hereinafter referred to as a Payments Service Holding Company (PSHC)), with activities of subsidiaries clearly delineated. This arrangement would prevent commingling of activities, facilitate management of risks and enable the Central Bank of Nigeria exercise adequate regulatory oversight on all the companies operating within the Group.

The affected regulated payment activities are:

- I. Mobile Money Operations
- II. Switching and Processing
- III. Payment Solution Services
- IV. Any other activity as may be approved by the CBN

Under this arrangement, a Non-operating PSHC shall be formed to hold equity investment in the separate companies in a "parent-subsidiary" arrangement. In serving as a source of financial strength to its subsidiaries, a PSHC shall maintain financial flexibility and capital-raising capabilities to support its subsidiaries. It shall also be capable to provide and use available resources to augment the capital of its subsidiaries, in the event of financial stress or adverse conditions.

Issued in exercise of the powers conferred on Central Bank of Nigeria, under the Central Bank of Nigeria Act (2007) and the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2020 (BOFIA), these Guidelines shall complement the CBN Circular on New Licence Categorisations for the Nigerian Payments System (ref: PSM/CIR/GEN/CIR/01/22) and other subsidiary legislations made under these Acts, as well as other Directives, Notices, Circulars, Policies, Frameworks, issued by CBN and other regulators in the Nigerian financial services sector, from time to time.

These Guidelines are intended to facilitate understanding of the requirements for the adoption and operations of a PSHC in Nigeria and covers the definition and

structure of a PSHC, licensing requirements, ownership and control, corporate governance, permissible and non-permissible activities, as well as supervision.

2.0 DEFINITION AND STRUCTURE OF PSHC

2.1 Definition

For the purpose of this regulation, a PSHC is a company whose principal object clause include the business of a holding company set up for the purposes of making and managing equity investment in two or more companies, being its subsidiaries, which are Payments Service Providers across the following categories:

- I. Mobile Money Operations
- II. Switching and Processing
- III. Payment Solution Services

2.2 Non-Operating

2.2.1 The PSHC shall be non-operating, existing solely to carry out investment in approved subsidiaries without engaging in the day-to-day management and operations of subsidiaries.

2.2.2 A PSHC shall be a corporate body, registered with the Corporate Affairs Commission (CAC), and licensed, supervised and regulated by the Central Bank of Nigeria. It shall have a board size of between 5 and 10 or as determined by applicable CBN Corporate Governance Guidelines.

2.3 Structure

2.3.1 For any PSHC structure to emerge, there shall be at the minimum, two subsidiaries, which include a Mobile Money Operator (MMO) and a Switching company.

2.3.2 A PSHC is permitted to have only two hierarchies. Given the permissible level of hierarchies, the PSHC may have a subsidiary which is a parent to another subsidiary (intermediate company).

2.3.3 A PSHC may acquire controlling interest in any permissible financial and/or technological company, subject to prior approval of the CBN, where controlling

interest represents a minimum of 51% of authorised share capital of the entity.

2.3.4 A PSHC that elects to change to mono-line payments service provider shall seek the prior approval of CBN. Such PSHC shall submit along with its request for approval, the following:

- a. Annual audited financial statements of the immediate past three years under the arrangement/structure it seeks to discontinue;
- b. Divestment plan from subsidiaries; and
- c. Any other requirements as may be determined by the CBN from time to time.

2.4 Excise of Subsidiary from a Payments Service Holding Company

The CBN may, by order, direct a PSHC to divest from a subsidiary where, in the opinion of CBN, the PSHC is being run in a manner that is detrimental to the subsidiary and/or stability of the financial system.

3.0 LICENSING REQUIREMENTS

The promoters of the PSHC shall be required to submit a formal application for the grant of a licence. The application shall be addressed to the Director, Payments System Management Department. The Licensing process shall be in two phases: Approval-in-Principle and Final Licence.

A Financial Holding Company, with a payment service provider as a subsidiary, that had been licensed prior to the issuance of these Guidelines, needs not apply for a PSHC licence.

3.1 Requirements for grant of Approval-In-Principle (AIP)

The application shall be accompanied with the following:

- 3.1.1 A non-refundable application fee of N1,000,000.00 (One Million Naira only) or such other amount that the CBN may specify from time to time; payable to the Central Bank of Nigeria, through electronic transfer.
- 3.1.2 Evidence of meeting the prescribed minimum paid-up capital as defined in Section 7.1 of the Guidelines, subject to the satisfaction of the CBN.

3.1.3 Detailed business plan or feasibility report which shall, at a minimum, include:

- a. Objectives of the PSHC and those of the subsidiaries it intends to establish/acquire;
- b. Justification for applying for the payments service holding company;
- c. Ownership structure in a tabular form indicating the name of proposed investor(s), profession/business and their percentage shareholdings;
- d. Biodata, resume/curriculum vitae of proposed investors;
- e. Indication of sources of funding of the proposed equity contribution for each investor;
- f. Where the source of funding the equity contribution is a loan, it shall be a long-term facility of, at least, a 7-year tenor, and shall not be obtained from the Nigerian banking system or foreign subsidiaries of Nigerian banks;
- g. Corporate Governance Charter of the PSHC stating the roles and responsibilities of the board and its sub-committees, among other things;
- h. Criteria for selecting board membership;
- i. Biodata and detailed resumes of directors and Board composition;
- j. List of identified top/senior management staff, biodata and detailed resumes stating qualifications, experiences, records of accomplishment, etc.;
- k. National Government-issued Identity documents (International Passport, etc.) biodata and Bank Verification Numbers (BVNs) of proposed Board and Management staff of the company;
- l. The Tax Identification Number (TIN) of the company and its Tax clearance certificate where applicable;
- m. A schedule of services that will be shared in the group;
- n. Five-year financial projection on the operations of the PSHC indicating expected growth and profitability, and details of the assumptions that form the basis of the financial projection;
- o. Details of Information Technology (IT) infrastructure proposed to be deployed;
and

- p. Information on and pictorial representation of the corporate group structure with shareholding percentage by the PSHC in each of the subsidiaries and their principal businesses and registered Head offices.
- 3.1.4 A written and duly executed undertaking by the promoters that the PSHC shall be adequately capitalized for the volume and character of its business at all times, and that the PSHC shall be under the supervisory authority of the CBN, as an Other Financial Institution (OFI).
- 3.1.5 For regulated foreign institutional investors, the CBN shall require a no-objection letter from the regulatory body in the home country.
- 3.1.6 Shareholders' agreement providing for disposal/transfer of shares as well as authorisation, amendments, waivers, reimbursement of expenses, etc.
- 3.1.7 Statement of intent to invest in the PSHC to be made by each investor in the PSHC.
- 3.1.8 Technical Services Agreement, where applicable.
- 3.1.9 Draft copy of the company's Memorandum and Articles of Association (MEMART). At a minimum, the MEMART shall contain the following information:
- a. Proposed name of the PSHC;
 - b. Object clause which shall be limited to the permitted activities of its licence;
 - c. Subscribers to the MEMART;
 - d. Procedure for amendment;
 - e. Procedure for share transfer or disposal; and
 - f. Appointment of directors.
- 3.1.10 Where the promoters of the PSHC are corporate investors, the CBN shall require them to forward the following additional documents:
- a. Certificate of Incorporation;

- b. Board resolution supporting the company's decision to invest in the equity shares of the proposed PSHC;
- c. Names, biometrics, BVNs and addresses (business and residential) of owners, directors and their related companies, if any;
- d. Audited financial statements and reports of the company, including Tax Clearance Certificate for the immediate past 3 years;
- e. Certified True Copies of the company's CAC forms showing the details of allotment and particulars of directors; and,
- f. Any other document/information that the CBN may require from time to time.

If satisfied with the application of the promoter(s), the CBN may grant an Approval in Principle (AIP).

3.2 Requirements for Granting a Final Licence

Not later than six (6) months after obtaining the AIP, the promoters of a proposed PSHC shall submit an application to the CBN for the grant of a final licence. The application shall be accompanied with the following:

- 3.2.1 Non-refundable licensing fee of N5,000,000.00 (Five Million Naira only), or such other amount that the CBN may specify from time to time, payable to the Central Bank of Nigeria by electronic transfer;
- 3.2.2 Evidence of promotion or investment of a payment service company;
- 3.2.3 Evidence of payment of capital contribution by each shareholder;
- 3.2.4 Evidence of location of Head Office (rented or owned) for the take-off of the PSHC;
- 3.2.5 Schedule of changes, if any, in the Board, Management, IT infrastructure and significant shareholding since the grant of AIP;
- 3.2.6 Evidence of ability to meet technical requirements and modern infrastructural facilities such as office equipment, computers, telecommunications, etc. to perform PSHC operations and meet CBN and other regulatory requirements;

3.2.7 Organisational structure, showing functional units, responsibilities, reporting relationships and grade (status) of heads of departments/units; and

3.2.8 Board and staff training programme.

3.3 Requirements for commencement of operations

The PSHC shall inform the CBN of its readiness to commence activities and such information shall be accompanied with one copy of each of the following:

- I. Shareholders' Register;
- II. Share certificate issued to each investor;
- III. Enterprise Risk Management Framework (ERMF);
- IV. Internal Control Policy;
- V. Minutes of pre-commencement board meeting;
- VI. Opening statement of affairs signed by directors and auditors; and
- VII. Date of Commencement of Activities.

3.4 Post commencement requirements

A PSHC shall:

3.4.1 Comply with relevant guidelines and regulations issued by the CBN and relevant extant laws.

3.4.2 Maintain adequate accounting system and keep records that capture all information which reflect the financial condition of the PSHC.

3.4.3 Ensure that it and all its subsidiaries are adequately capitalised at all times.

4.0 CORPORATE GOVERNANCE

The following provisions designed to strengthen the governance structure of the PSHC, shall apply:

- a. The board shall include, at least, an individual with requisite experience in the business(es) of the subsidiary payments service companies within the Group.

- b. Appointment to the board and management positions shall be in line with the requirements of Assessment Criteria for Approved Persons' Regime For Financial Institutions (The Approved Persons' Regime), or any other applicable regulation, issued by the CBN from time to time.
- c. Regulations on the disqualification of Board and management, applicable to Other Financial Institutions (OFIs), shall apply to Payments Service Holding Company.
- d. A PSHC shall:
 - I. Comply with the provisions of applicable CBN Corporate Governance Guidelines and demonstrate evidence of existence of competent and independent board, with requisite capacity to provide oversight on internal controls and risk management practices.
 - II. Comply with the provisions of the Securities and Exchange Commission (SEC) Corporate Governance Guidelines for publicly quoted companies and listed entities in Nigeria, where applicable.
 - III. Include its audited financial statements among the contents of its website.

4.1 Ownership and Control

- a. Prior approval of the CBN shall be obtained for any shareholding of 5.0 per cent and above, or any change in ownership which results in change in control of the PSHC.

Where such shares are acquired through the secondary market, the PSHC shall apply for approval from the CBN within seven (7) days of the acquisition.

- b. Subsidiaries of a PSHC are prohibited from acquiring shares in the PSHC.
- c. Subsidiaries are prohibited from acquiring shares of other subsidiaries of their parent PSHC.

For the purpose of sub-sections (b) and (c) of this section, "subsidiaries" include those of intermediate companies.

- d. Where a PSHC loses control of any of the two payments services subsidiaries - switching and processing company or mobile money operator

- in the group, for a period exceeding six (6) consecutive months, the PSHC shall cease to be a PSHC and will be required to return its licence to the Central Bank of Nigeria for cancellation.

- e. Where a PSHC with only two subsidiaries, loses its controlling interest in either of the subsidiaries, for a period exceeding six (6) consecutive months, the PSHC shall cease to be a PSHC and will be required to return its licence to the Central Bank of Nigeria for cancellation.
- f. Where a PSHC loses controlling interest in a subsidiary under 4.1 (d) or (e), and subsequent to the cancellation of its licence, the PSHC shall divest wholly and completely from that subsidiary within a period of six (6) months or any other period as may be determined by the CBN, to enable the subsidiary continue operations as an independent entity.
- g. Where a PSHC loses controlling interest in a subsidiary under 4.1 (d) or (e), and the subsidiaries include a Switching and Processing company, and Mobile Money operator, the former and the latter shall continue to operate independent of one another.

For the purpose of these Guidelines, "control" is as defined by IFRS 10, i.e.:

- I. Power over the investee, where the investor has existing rights that gives it the ability to direct activities that significantly affect the investee's returns;
- II. Exposure, or rights to variable returns from involvement in the investee; and,
- III. The current ability to use power over the investee to affect the amount of the investor's returns.

4.2 Change in Ownership Structure

Except with the prior written approval of the CBN, no PSHC's director, shareholder, agent or instrumentality of such an entity or its shareholders shall enter into an agreement or arrangement:

- I. Which results in:
 - a. a change in the control of the PSHC; and
 - b. the transfer of shareholding of 5 per cent and above in the PSHC;

Provided such change(s) in control or transfer of shares is effected through the

secondary market, the PSHC shall notify the CBN not later than 7 days after the transfer.

- II. For the sale, disposal or transfer howsoever of the whole or any part of the business of the PSHC;
- III. For the issuance of New shares;
- IV. For the amalgamation or merger or takeover of the PSHC with any other person;
- V. For the reconstruction of the PSHC; or
- VI. To employ a management agent or to be managed by or to transfer its business to any such agent.

5.0 PERMISSIBLE ACTIVITIES

5.1 Except as listed in Section 5.2, the activities of the PSHC shall be restricted to the holding of equities in financial and technological subsidiaries that facilitate and/or enhance innovative digital financial services.

5.2 The PSHC can provide broad policy direction, shared services and/or enter into technical or management service contract with any of its subsidiaries, with the prior written approval of the CBN, in respect of the following areas:

- I. Human Resources services;
- II. Risk Management services;
- III. Internal Control services;
- IV. Compliance services;
- V. Information and Communication Technology;
- VI. Legal services;
- VII. Facilities (office accommodation including electricity, security, cleaning services in that accommodation); and,
- VIII. Any other services as may be approved by the CBN from time to time.

5.3 Shared services shall be provided on arm's length basis. Transactions in respect of such services shall require the consent of the Board of Directors of the subsidiary.

6.0 NON-PERMISSIBLE ACTIVITIES

A PSHC is prohibited from undertaking the following activities:

- I. Establishment, divestment and closure of subsidiaries, without the prior written approval of the CBN.
- II. Deriving or receiving income from sources other than as listed herein:
 - a. Dividend income from its subsidiaries/associates;
 - b. Income from shared services, where applicable;
 - c. Interest earned from idle funds invested in government securities or placement with licensed financial institutions;
 - d. Patents, royalties and copyrights;
 - e. Profit on divestment from subsidiaries/associates; and,
 - f. Any other source as may be approved by the CBN.

6.1 Internal Management of Subsidiaries

6.1.1 No PSHC shall:

- I. Arrogate to itself any of the powers or functions of the Board of Directors, or internal management responsibilities and obligations, of any of its subsidiaries or associates of any such subsidiary;
- II. Interfere in the day-to-day activities of the subsidiaries;
- III. Be involved in the administration and approval process of its subsidiaries, if applicable;
- IV. Require its subsidiaries or any of its agents to take directives or act on the instructions of the PSHC in its internal decision-making process, without prejudice to the definition of control as defined in Section 4.1 above.
- V. Have any of its officers or employees, while in the employment of the PSHC, work for any subsidiary, except employees engaged in shared services arrangements;
- VI. Engage the services of any employee of any of its subsidiaries;
- VII. Purchase/dispose assets from/to its subsidiaries, without the prior written approval of the CBN.

6.2 Intra-Group Transactions

6.2.1 No PSHC shall:

- I. Engage in any transaction or maintain any business relationship with any of its subsidiaries, except such transaction or business relationship is at arm's length;
- II. Borrow from the Nigerian banking system for the purpose of capitalizing itself or any of its subsidiaries;

6.3 Appointment of Directors and Top Management

- a. With reference to the CBN Corporate Governance Guidelines, relevant provisions of Company and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria's Code of Corporate Governance, no PSHC shall appoint:

- I. As director, any person, who at the relevant time is a director of any of its subsidiaries, except with the prior written approval of the CBN.

Where such an appointment is approved, the aggregate number of directors from the subsidiaries and associates, at any point in time, shall not exceed 30 per cent of the membership of the Board of Directors of the PSHC.

- II. A person who has served as a director (executive or non-executive) for the maximum allowable period as stipulated by the CBN, into any subsidiary, or an associate of such a subsidiary until after a minimum period of three (3) years after the expiration of the tenure of such director, and vice versa.

- b. No director of the PSHC shall be a director of the subsidiary, except with the written approval of the Central Bank of Nigeria.

Where such an appointment is approved, the number of directors from the PSHC, at any point in time, shall not exceed 30 per cent of the membership of each of the subsidiaries.

6.4 Intra-Group Transfer of Non-Current Assets

Intra-group transfer of non-current assets shall be carried out in a transparent manner and at arm's length.

7.0 PRUDENTIAL REGULATION OF PSHC

7.1 Minimum Paid-Up Capital and Capital Reserves

A PSHC shall have a minimum paid-up capital which shall exceed the sum of the minimum regulatory capital/ total equity of all its subsidiaries, as may be prescribed from time to time by the Central Bank of Nigeria (where the PSHC owns 100 per cent of the subsidiaries).

Where the PSHC owns less than 100 per cent of the subsidiaries, its minimum paid-up capital shall exceed the summation of its proportionate holding in the subsidiaries. Excess capital in one subsidiary shall not be used to make up a shortfall in another subsidiary.

It is the capital of the PSHC that is applied to the subsidiaries.

7.2 Payment of Dividends

A PSHC shall not pay dividends on its shares except:

- I. All its operational, preliminary and organisational expenses, losses incurred and other capitalised expenses, not represented by tangible assets (excluding goodwill), have been completely written off.
- II. Adequate provisions have been made to the satisfaction of the CBN for actual and contingent losses.
- III. It has complied with any capital requirements as stipulated in Section 7.1 of these Guidelines.

7.3 Acquisition of Subsidiaries

In determining the acquisition of subsidiaries, the CBN shall be satisfied that a PSHC has adequate capital resources by way of free funds to carry out the acquisition.

In all cases, the consideration for the acquisition of subsidiaries shall be on cash basis only or any other arrangement proposed by the PSHC and approved by the CBN.

7.4 Investment in Non-Current Assets

A PSHC shall ensure that it has adequate free funds to support any acquisition of non-current assets (property, plant and equipment, IT infrastructure/ platforms, etc.)

7.5 Limit on Contingent Liabilities

A PSHC's total exposure on contingent liabilities on behalf of its subsidiaries shall not exceed 20% of the payments service holding company's shareholders' funds unimpaired by losses.

7.6 Minimum Capital Requirements of Subsidiaries

A PSHC shall ensure that its subsidiaries comply with the minimum capital requirements for each licence category in the group.

8.0 SUPERVISION

8.1 Responsibility for Supervision of PSHC

PSHCs shall be supervised by the Central Bank of Nigeria. The subsidiaries within the group shall also be supervised by the Central Bank of Nigeria.

8.2 Supervision of Payments Service Holding Companies

8.2.1 A PSHC and its subsidiaries shall be supervised on a consolidated basis.

8.2.2 PSHCs shall be required to render returns to the Payments System Management Department of the CBN on a quarterly basis, or in frequency and format, prescribed by the CBN from time to time.

The returns shall include information on:

- I. Compliance with corporate governance guidelines
- II. Whistle blowing
- III. Assets and liabilities of the PSHC and its subsidiaries
- IV. Risk management
- V. Internal control
- VI. Intra-group transactions

9.0 GUIDE NOTES

- I. Pursuant to Extraordinary Gazette No. 38 of December 29, 2011, a financial holding company is a company whose principal object includes the business of a holding company set up for the purpose of making and managing equity investment in two or more companies, being its subsidiaries, engaged in the provision of financial services, one of which must be a bank. Bank means commercial, merchant or specialized bank.
- II. A PSHC is a company whose principal object clauses include the business of a holding company set up for the purposes of making and managing equity investment in two or more companies, being its subsidiaries, with at least one Mobile Money Operator and one Switching company.
- III. Regulatory minimum capital is the CBN stipulated minimum capital threshold for each Payment Service Provider (PSP) licence type.
- IV. Agent is any staff, employee, director, shareholder, contractor or representative of the subsidiary and/or PSHC.
- V. Fitness and propriety of the promoters shall be ascertained through security screening and status enquiry.
- VI. Promoters of a proposed PSHC shall not incorporate the company until an Approval-in-Principle has been obtained from the CBN, a copy of which shall be presented to the Corporate Affairs Commission for that purpose.
- VII. The CBN may interview the promoters, proposed directors and senior management personnel in the course of processing the application.
- VIII. The CBN may also inspect the books and records of a proposed PSHC to satisfy itself about the representations made or information furnished by the promoters.
- IX. The Approval-in-Principle is not an authority for the promoters to commence operations or perform any of the activities stated in Section 5.0.
- X. Subsequent to the issuance of the Approval-in-Principle, the promoters may proceed to carry out the activities stated in the Approval-in Principle.
- XI. The CBN shall issue a PSHC licence where it is satisfied with the promoters' status of compliance with the conditions stated in Section 3.2 of these

Guidelines, as well as the organisational, security, infrastructural, risk management and internal control arrangements.

- XII. The CBN may, at any time and without recourse, vary or review any condition of a licence or impose additional conditions.
- XIII. Where a licence is granted subject to conditions subsequent, the promoters of a PSHC shall, within such prescribed period, comply with those conditions to the satisfaction of the CBN, as the latter may deem appropriate in the circumstance(s). Any PSHC that fails to comply with such conditions shall be deemed to be in contravention of these Guidelines.
- XIV. In constituting the Board of Directors of a Payments Service Holding Company, consideration shall be given to core competencies in the areas of operation of the subsidiaries.
- XV. PSHC licences shall be granted for an indefinite period of time or such period as the CBN deems necessary and shall not be transferable.
- XVI. An affiliate is an organisation, business entity or individual that is related to, and often, controlled by another entity.
- XVII. Control is the direct or indirect authority to influence or direct the management and policies of an entity whether through ownership, voting rights or by contract. Control is defined by IFRS 10 as the sole basis for consolidation and comprises the following three elements:
 - a. Power over the investee, where the investor has existing rights that gives it the ability to direct activities that significantly affect the investee's returns;
 - b. Exposure, or rights, to variable returns from involvement in the investee; and
 - c. The current ability to use power over the investee to affect the amount of the investor's returns.
- XVIII. Intra-group transactions refer to direct and indirect claims which entities within the financial conglomerate hold on each other.
- XIX. Free funds are shareholders' funds less investment in non-current assets, equities in other financial institutions and unaudited losses.

**PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
AUGUST 2021**



CENTRAL BANK OF NIGERIA

**REGULATORY FRAMEWORK
FOR
MOBILE MONEY SERVICES
IN NIGERIA**

July 2021

Contents

| | | |
|------|--|----|
| 1.0 | Introduction | 3 |
| 2.0 | Objectives | 4 |
| 3.0 | Scope | 4 |
| 4.0 | Participants in the Mobile Money System | 5 |
| 5.0 | The Nigerian Mobile Money System..... | 7 |
| 6.0 | Mobile Money Scenarios..... | 7 |
| 7.0 | Mobile Money Processes | 8 |
| 8.0 | Infrastructure..... | 9 |
| 9.0 | Settlement | 9 |
| 10.0 | Scheme Dispute Resolution..... | 9 |
| 11.0 | Risk Management | 9 |
| 12.0 | Technology..... | 9 |
| 13.0 | User Interface | 10 |
| 14.0 | Know Your Customer (KYC) and Customer Due Diligence (CDD) Requirements | 10 |
| 15.0 | Anti-Money Laundering Regulation..... | 10 |
| 16.0 | Consumer Protection and Dispute Resolution | 10 |

1.0 Introduction

A robust payments system is vital for effective monetary policy implementation and the promotion of economic efficiency. The introduction of mobile telephony in Nigeria, its rapid growth and adoption and the identification of person to person payments as a practical strategy for financial inclusion, has made it imperative to adopt the mobile channel as a means of driving financial inclusion of the unbanked. These factors underscore the decision of the Central Bank of Nigeria to issue this regulatory framework to create an enabling environment for the orderly introduction and management of mobile money services in Nigeria. The Framework defines the regulatory environment as a policy path towards achieving availability, acceptance and usage of mobile payment services.

Mobile payment has evolved as a veritable channel for facilitating the growth of commerce. The use of the mobile phone for the initiation, authorization and confirmation of the transfer of value out of a current, savings or stored value account has been recognized as a development that is expanding the growth of commerce among both the financially included and non-included units in the economy.

This regulatory framework addresses business rules governing the operation of mobile money services, and specifies basic functionalities expected of any mobile money service and solution in Nigeria. It identifies the participants and defines their expected roles and responsibilities in providing mobile money services in the system. In addition, it sets the basis for the regulation of services offered at different levels and by the participants.

The overriding vision of achieving a nationally utilized and internationally recognized payments system necessitates strategies to bring informal payment transactions into the formal system.

This framework has identified two models for the implementation of mobile money services namely;

- a. Bank Led – Bank and/or its Consortium as Lead Initiator
- b. Non-bank Led- A corporate organisation duly licensed by the CBN as Lead Initiator

The CBN recognizes the importance of Mobile Network Operators (MNOs) in the operations of mobile money services and appreciates the criticality of the infrastructure they provide. However, the telco-led model (where the lead initiator is an MNO), shall not be operational in Nigeria.

Its exclusion will enable the CBN have full control of monetary policy operations, minimise risks and ensure that the offerings of financial services are driven by organizations that have been licensed by the CBN to do so.

2.0 Objectives

The objectives of the regulatory framework are as follows:

- a. Provision of an enabling environment for the adoption of mobile money services in reducing cash dominance in the Nigerian economy.
- b. Ensure a structured and orderly development of mobile money services in Nigeria, with clear definition of various participants and their expected roles and responsibilities.
- c. Specification of the minimum technical and business requirements for the various participants recognized for the mobile money services industry in Nigeria.
- d. Provision of the basis for broad guidelines for the implementation of processes and flow of mobile money transactions, from initiation to completion.
- e. Promoting safety and effectiveness of mobile money services and thereby enhance user confidence in the services.

3.0 Scope

To achieve the above stated objectives, two types of mobile money services are identified for operation in Nigeria:

- a. **The Bank-led Model:** This is a model where a bank either alone or a consortium of banks, whether or not partnering with other approved organizations, seeks to deliver banking services by leveraging on the mobile payments system. This model shall be applicable in a scenario where the bank operates on stand-alone basis or in collaboration with other bank(s) and any other approved organization. The Lead Initiator shall be a bank or a consortium of banks.
- b. **The Non-bank led Model:** This model allows a corporate organization that has been duly licensed by the CBN to deliver mobile money services to customers. The Lead Initiator shall be a corporate organization (other than a deposit money bank, a national primary mortgage bank, a national microfinance bank or a telecommunication company subsidiary) specifically licensed by the CBN to provide mobile money services in Nigeria.

4.0 Participants in the Mobile Money System

This framework shall **guide** the activities of Participants in the provision of mobile money services.

Participants are grouped into six (6) categories:

4.1 Regulators

4.2 Mobile Money Operators

4.3 Infrastructure providers

4.4 Other Service Providers

4.5 Consumers

4.6 Mobile Money Agents

4.1 Regulators

The Regulators for this purpose are the Central Bank of Nigeria (CBN) and the Nigerian Communications Commission (NCC).

4.2 Mobile Money Operators

These are organizations that are licensed by the Central Bank of Nigeria to provide the system for the mobile money services. The organizations approved to perform the role of Mobile Money Operations are Banks and Corporate Organizations.

All approved Mobile Money Operators are required to provide:

- a. The infrastructure (hardware, software, switching and security) for mobile money services;
- b. Business continuity and disaster recovery plans, to ensure services are always available at all times.
- c. 99.99% system availability and ensure all signed-on participating institutions follow same rule.

Mobile Money Operators are required to connect to the National Central Switch (NCS) for the purpose of ensuring interoperability of all schemes in the system. A scheme operator can either be a bank or a licensed corporate organization.

The Mobile Money Operators are the Lead initiators for the mobile scheme and shall be responsible for ensuring that the various solutions and services within an approved mobile payment scheme meets the entire regulatory requirements as defined in this framework and as may be specified from time to time.

The Lead initiator (as an entity and as representative of other partners) shall be legally responsible and accountable to the Central Bank of Nigeria and the end user. All advertisements and public pronouncements on their scheme shall emanate and be issued by the Lead Initiator only.

4.2.1 Banks

The roles of the bank as an MMO include:

- a. Provision of all financial services for the operation of the mobile money service.
- b. Verification, approval and accountability for the credibility and integrity of their partner organizations and recommending same to the CBN for approval.

4.2.2 Non-Bank Mobile Money Operators

The roles of Non-bank Mobile Money Operators include:

- a. The provision and management of the technology required to deliver mobile payment services to the subscriber.
- b. The provision of the agent network required to extend all the proposed services to the marketplace.

4.3 Infrastructure Providers

These are organizations providing infrastructure that enable switching, processing and settlement facilities for mobile money services. Settlement here refers to Inter-Scheme Settlement.

4.3.1 Telecommunications: Telecommunication companies play the important role of providing the infrastructure to drive the exchange of messages for mobile payments.

4.3.2 Inter -Scheme Settlement: The role of Inter-Scheme Settlement Provider shall be to provide net positions of transactions across schemes to the inter-bank settlement system to affect the finality of payment for services consummated across two different Schemes by various participants.

4.4 Other Service Providers:

The CBN recognizes that, with the evolution of the mobile money system, spin-off services would be identified by MMOs which can be outsourced to entities with specialized skills and resources to support such services in a more efficient and effective manner.

The service providers may employ the infrastructures of the MMOs to provide services to the end users.

4.5 Consumers

These are end users of mobile money services.

4.6 Mobile Money Agents

The activities of Mobile Money Agents shall be guided by the provisions of the Guidelines on Agent Banking and Agent Banking Relationship in Nigeria.

5.0 The Nigerian Mobile Money System

Mobile money system in Nigeria refers to the various components required to deliver mobile money services to the banking and non-banking community. The providers of these services and solutions shall be required to operate within the defined regulatory framework specified in this document and any other regulation/guideline issued by the CBN.

The CBN is responsible for defining and monitoring the mobile money systems in Nigeria.

6.0 Mobile Money Scenarios

The following scenarios are the methods through which mobile money can be carried out in Nigeria:

- a. Bank Account Based
- b. Card Account Based
- c. Stored Value (e-Wallet) Account Based

6.1 Bank Account Based

This is a scenario where the mobile money system drives transactions through the

bank accounts of customers. These accounts include current, savings, domiciliary, etc.

6.1.1 Types of Bank Account Based

The types of Bank Account Based scenario shall include, but not limited to Pull-based account transactions (debits through a mobile money solution) and push-based account transactions (credits through a mobile money solution). A pull-based transaction shall be authorized by the account holder via a verifiable mode before the transaction is consummated.

6.1.2 Card Account Based

This is a scenario where a payment card is linked to a mobile phone for the purpose of initiating and concluding payment transactions.

6.2 Types of Card – Driven Payments

The types of card – driven payments recognized by this framework are:

- a. Credit
- b. Debit, and
- c. Pre-Paid

6.3 Stored Value Account Based

This is a scenario where a mobile money system drives transaction through a system-based account that shall comply with the standards defined within this framework.

6.3.1 Types of Stored Value Account

The various options recognized by this framework include Re-loadable Stored Value Account, Pre-paid Account, etc.

7.0 Mobile Money Processes

The Mobile Money Operators shall provide a detailed payments management process that covers the entire solution delivery, from user registration and management, Agent recruitment and management, Consumer protection/dispute resolution procedures, Risk management process to transaction settlement. These processes shall cover the scope of the value chain across all the participants in the mobile money ecosystem.

8.0 Infrastructure

The core infrastructure for providing a National mobile payment system comprises of transaction processing, clearing and settlement platforms and agent network. The responsibility for the provision and management of these platforms is shared amongst the various stakeholders/service providers.

9.0 Settlement

The settlement finality for mobile money shall leverage the NIBSS Infrastructure and the CBN Real Time Gross Settlement (RTGS). The Infrastructure shall facilitate instant payment to the end users and settlement of the Scheme providers on a T+1 cycle for the mobile money system.

10.0 Scheme Dispute Resolution

NIBSS shall provide the dispute resolution platform for the mobile payment systems for the use of participants in resolving inter scheme transaction disputes. The dispute resolution process will be aligned with the global best practices for arbitration.

11.0 Risk Management

In view of the peculiarity of the operations of other licensed providers and the unique risks associated with their operations, the regulatory framework hereby specifies the following requirements to mitigate risks arising from their activities.

The MMOs must ensure that risk mitigation techniques are in place to minimize operational, liquidity, technical, fraud, financial and money laundering risks. The mobile payment system shall not be susceptible to sustained operational failures as a result of system outages. A risk compliance officer must be assigned by the MMOs, who are to provide internal risk management oversight. The CBN will review the risk management programme, including all the controls that are in place to manage the risks on a periodic basis.

12.0 Technology

The technology implemented for mobile money services shall comply with the standards and requirements on international best practice for mobile money services. The technology to be deployed is expected to be reliable, user friendly, safe and secure. All MMOs are to interconnect through NIBSS to ensure interoperability.

13.0 User Interface

13.1 The user interface shall at the minimum, be menu driven.

13.2 The user interface shall not provide access to confidential information.

13.3 PIN shall be encrypted at the point of entry.

14.0 Know Your Customer (KYC) and Customer Due Diligence (CDD) Requirements

All MMOs shall comply with the provisions of extant laws.

15.0 Anti-Money Laundering Regulation

In addition to the provisions of the requirements prescribed in the KYC Guidelines, the CBN AML document shall also apply to mobile money services.

The regulatory authorities reserve the right to change the criteria for suspicious transactions reporting in respect of mobile money as it deemed fit. Such amendments shall be communicated by appropriate channels to the mobile money operators and other stakeholders.

16.0 Consumer Protection and Dispute Resolution

To build confidence in the mobile money system, a dispute resolution mechanism shall be put in place.

17.0 Mobile Money Savings Wallets in Nigeria

Mobile Money Operators may offer savings wallet services to meet the demands of the unbanked in Nigeria, the modalities for the operation of savings wallets in Nigeria is as detailed in the Guidelines.

Central Bank of Nigeria, Abuja
July 2021



CENTRAL BANK OF NIGERIA

GUIDELINES

ON

MOBILE MONEY SERVICES

IN NIGERIA

July 2021

Table of Contents

| | | |
|------|--|----|
| 1.0 | PREAMBLE | 3 |
| 2.0 | INTRODUCTION | 3 |
| 3.0 | OBJECTIVES | 3 |
| 4.0 | SCOPE | 4 |
| 5.0 | MODELS | 4 |
| 6.0 | AGENCY NETWORK | 4 |
| 8.0 | ROLES AND RESPONSIBILITIES OF PARTICIPANTS | 9 |
| 9.0 | NOMINEE/SETTLEMENT ACCOUNT | 12 |
| 10.0 | OPERATIONS OF SAVINGS WALLET | 13 |
| 11.0 | SETTLEMENT | 15 |
| 12.0 | TRANSACTION SECURITY STANDARDS | 17 |
| 13.0 | INFRASTRUCTURE | 18 |
| 14.0 | RISK MANAGEMENT | 18 |
| 15.0 | TECHNOLOGY | 22 |
| 16.0 | KNOW YOUR CUSTOMER (KYC) AND CUSTOMER DUE DILIGENCE (CDD) REQUIREMENTS | 22 |
| 17.0 | CERTAINTY OF MOBILE TRANSACTIONS | 23 |
| 18.0 | CONSUMER PROTECTION MEASURES | 23 |
| 19.0 | DISPUTE RESOLUTION MECHANISMS | 24 |
| 20.0 | CESSATION OF MOBILE PAYMENT SERVICE | 24 |
| 21.0 | RESOLUTION OF FAILED MOBILE MONEY OPERATORS | 24 |
| 22.0 | STATUTORY RETURNS | 25 |
| 23.0 | ANNUAL REPORTING | 25 |
| 24.0 | REMEDIAL MEASURES | 25 |
| 25.0 | SANCTIONS | 25 |
| 26.0 | REVIEW OF THE GUIDELINES | 26 |
| 27.0 | GLOSSARY OF TERMS | 27 |

1.0 PREAMBLE

In exercise of the powers conferred on the Central Bank of Nigeria (CBN) by Section 47(2) of the CBN Act, 2007, to promote and facilitate the development of efficient and effective system for the settlement of transactions, including the development of electronic payment systems; and

Pursuant to its mandate of promoting a sound financial system in Nigeria, the CBN hereby issues the following Guidelines for Mobile Money Services in Nigeria.

2.0 INTRODUCTION

The introduction of mobile telephony in Nigeria, its rapid growth and adoption, and the identification of person to person payments as a practical strategy for financial inclusion, has made it imperative to adopt the mobile channel as a means of driving financial inclusion of the unbanked. These factors underscore the decision of the Central Bank of Nigeria to issue these guidelines, to create an enabling environment for the orderly introduction and management of mobile money services in Nigeria.

This guideline addresses business rules governing the operation of mobile money services, and specifies basic functionalities expected of any mobile payment service and solution in Nigeria. It identifies the participants and defines their expected roles and responsibilities in providing mobile money services in the system. In addition, it sets the basis for the regulation of services offered at different levels and by the participants.

These guidelines have identified two models for the implementation of mobile money services namely;

- a. Bank Led – Bank and/or its Consortium as Lead Initiator
- b. Non-bank Led- A corporate organisation duly licensed by the CBN as Lead Initiator

3.0 OBJECTIVES

The objectives of the guidelines are as follows:

- a. To ensure a structured and orderly development of mobile money services in Nigeria, with clear definition of various participants and their expected roles and responsibilities.

- b. Specification of the minimum technical and business requirements for the various participants recognized for the mobile money services industry in Nigeria.
- c. To promote safety and effectiveness of mobile money services and thereby enhance user confidence in the services.

4.0 SCOPE

To achieve the above stated objectives, this Guideline covers models, agent network, business rules, roles and responsibilities of participants under mobile money services in Nigeria.

5.0 MODELS

Two models of mobile money services are identified for operation in Nigeria:

- a. The Bank-led Model: This is a model where a bank either alone or a consortium of banks, whether or not partnering with other approved organizations, seeks to deliver banking services, leveraging on the mobile payments system. This model shall be applicable in a scenario where the bank operates on stand-alone basis or in collaboration with other bank(s) and any other approved organization. The Lead Initiator shall be a bank or a consortium of banks.
- b. The Non-bank led Model: This model allows a corporate organization that has been duly licensed by the CBN to deliver mobile money services to customers. The Lead Initiator shall be a corporate organization (other than a deposit money bank, a national primary mortgage bank, a national microfinance bank or a telecommunication company) specifically licensed by the CBN to provide mobile money services in Nigeria.

6.0 AGENCY NETWORK

The provisions of the Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria shall apply to Mobile Money Agent Network.

7.0 BUSINESS RULES

7.1 Licensing

All Mobile Money Operators (MMOs) shall:

- a. Be licensed by the CBN on such terms and conditions as the Bank may determine from time to time.
- b. Be issued a unique Scheme Code by the NIBSS for managing interoperability.
- c. Be issued unique short codes by the NCC.
- d. Ensure that all telecommunication equipment are type-approved by the NCC.
- e. Register users of its scheme based on technology standards and the requirements of these Guidelines.
- f. Ensure that the registration processes within its mobile money scheme shall fulfil the entire KYC requirements specified in these Guidelines.
- g. The total outstanding (unspent) balance which represents Mobile Money Subscribers' unspent funds shall be insured up to the applicable coverage level by the NDIC.

7.2 Permissible and Non-Permissible Activities

7.2.1 Permissible Activities

Mobile Money Operators shall carry out the following activities:

- a. Wallet creation and management;
- b. E-money issuing;
- c. Agent recruitment and management;
- d. Pool account management;
- e. Non-bank acquiring as stipulated in the regulatory requirements for non-bank merchant acquiring in Nigeria;
- f. Card Acquiring; and
- g. And any other activities that may be permitted by the CBN.

7.2.2 Non-Permissible Activities

Mobile Money Operators shall not carry out the following activities:

- a. Grant any form of loans, advances and guarantees (directly or indirectly);
- b. Accept foreign currency deposits;
- c. Deal in the foreign exchange market except as prescribed in Section 4.1 (ii & iii) of the extant Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria;
- d. Insurance underwriting;
- e. Accept any closed scheme electronic value (e.g. airtime) as a form of deposit or payment;
- f. Establish any subsidiary;
- g. Undertake any other transaction which is not prescribed by these Guidelines; and
- h. And any other activities that may be prohibited by the CBN.

7.3 Activation

- a. The Mobile Money System shall require a registered user to activate the service before the commencement of transactions with a security code (e.g. PIN/Password, etc.).
- b. The Mobile Money Operators shall ensure that the activation process is not compromised or altered within its infrastructure.

7.4 Transactions

- a. All transactions initiated and concluded within the mobile payment system shall have a unique transaction reference issued by the system.
- b. All transactions shall have the following elements: Transaction reference number, payer and payee phone numbers, transaction amount, transaction date and time stamps, and other relevant transaction details and unique identifiers.
- c. Where transaction involves merchants, the following details shall be provided in

addition to (b) above merchant category, merchant addresses and codes.

- d. Each transaction detail logged within the payment system shall contain a valid description as in 7.3. (b).
- e. No airtime deductions shall be made in respect of charges on any transaction.
- f. Notwithstanding the settlement banks submitted at time of application, MMOs shall be required to notify CBN of changes to its settlement bank arrangements.
- g. All obligations arising from mobile payment transactions shall be settled into settlement accounts held with Deposit Money Banks. MMOs shall maintain separate accounts for their other business activities.
- h. Mobile money transactions shall be bank-account based, card-account based, and stored value based.

7.5 Rules of Operation for Mobile Payment Transactions

7.5.1 Bank Account Based

Rules of Operations for bank account-based Transactions

- a. Transactions shall be originated via a bank's banking application into the mobile wallet.
- b. The bank account-based relationships shall comply with the existing account opening standards and practice in the Nigerian banking system.
- c. The transaction activities generated shall be traceable, monitored and logged within the mobile money system.
- d. Access to the account through the Mobile Money System shall be via a secured channel that meets the defined standards, as specified in these guidelines.
- e. Authorisation of transactions originating from or terminating on these accounts shall be based on the standards approved by the Central Bank of Nigeria.

7.5.2 Card Account Based

This is a scenario where a payment card is issued and linked to a mobile phone account subject to the appropriate KYC and the Guidelines on the Issuance and Usage of Cards in Nigeria.

a. Types of Card – Driven Payments

The types of card – driven payments recognized by these guidelines are:

- i. Credit
- ii. Debit, and
- iii. Pre-Paid

b. Rules of Operations for Card Based Transactions

- i. The Card Account based transactions shall be based on an infrastructure that relies on the global 3DES secure architecture at the minimum.
- ii. The card shall be issued by a CBN approved Card issuing Organization.
- iii. The card system shall comply with the existing regulation and standard for cards.
- iv. All Card Account based transactions must be authenticated against the originating Card Management System.
- v. The transaction activities generated shall be traceable, monitored and logged.

7.5.3 Stored Value Account

a. Types of Stored Value Account

The various options recognized by these guidelines include Re-loadable Stored Value Account, Pre-paid Account, etc.

b. Rules of the Operations for Stored Value Account

- i. All system-based accounts shall have an identification system that generates unique identifier per user account within the Mobile Payments System.
- ii. These accounts shall only be accessible through the Mobile Money System.
- iii. The user may specifically request for other means of access to his/her system-based account other than as specified in 7.5.1(d) above. However, the liability of the user shall be clearly stated before granting such request.
- iv. Where a mobile money service provider accepts, transmits, processes or stores card transactions and/or data, it shall comply with the PCIDSS standards.

- v. The Mobile Money System account unit shall comply with all the standards and requirements defined in these guidelines.
- vi. All system-based account shall be tied to a settlement account with a licensed deposit-taking institution. The settlement account shall be funded to the tune of the total amount of the system-based accounts on the scheme.

7.6 Mobile Payments Processes

The MMOs shall put in place detailed processes that cover the entire solution delivery, from user registration and management, agent recruitment and management, Consumer protection, dispute resolution procedures, Risk management processes, to transaction settlement.

These processes shall cover the scope of the value chain across all the participants in the mobile money ecosystem.

8.0 ROLES AND RESPONSIBILITIES OF PARTICIPANTS

8.1 BANKS

The role/responsibilities of banks as Scheme Operators shall include:

- a. Provision of all financial services for the operation of the mobile money service.
- b. Verification, approval and accountability for the credibility and integrity of their partner organizations.
- c. Seeking and obtaining necessary approvals from relevant regulatory authorities.
- d. The deployment and delivery of the mobile money services to the customer.
- e. Ensuring that the mobile money service meets all specified mobile money standards as provided in these Guidelines.
- f. Putting in place adequate measures to mitigate all the risks that could arise, following the deployment and use of its mobile money service.
- g. Facilitating remittances to both scheme and non-scheme recipients.
- h. Providing financial, clearing and settlement services to the mobile money system.

- i. Educating the customers on the appropriate use of the service and ensuring the deployment of adequate channels for enquiries and complaints.

8.2 NON-BANK MOBILE MONEY OPERATORS

The roles/responsibilities of Non-bank Mobile Money Operators shall include:

- a. The provision and management of the solution required to deliver mobile money services to the subscriber.
- b. Ensuring that the proposed services meet all the regulatory standards and requirements specified in these Guidelines; the deployment and delivery of the mobile money solutions to the customer.
- c. Educating the customers on appropriate use of the solution and ensuring the deployment of adequate channels for enquiries and complaints.
- d. Ensuring that international inflow messages shall at a minimum be conveyed to the recipients by secure SMS.
- e. Ensuring that the mobile money system provides transaction monitoring and reporting in compliance with this Guideline.
- f. Providing access for on-the-spot assessment and verification of its transactions by the CBN on demand basis.
- g. Providing a monthly assessment report on the performance in prescribed format, and the submission of same to the Director, Payments System Management Department of the CBN.
- h. Keeping records of transactions emanating from the organization's mobile money system for a minimum of seven (7) years.
- i. Ensuring that the mobile money services comply with specified standards as stated in these Guidelines.
- j. Putting in place adequate measures to mitigate all the risks that could arise from the deployment and use of its mobile money services.
- k. Ensuring that they establish connection with the NCS for the purpose of interoperability.

8.3 INFRASTRUCTURE PROVIDERS

These are organizations providing infrastructure that enable switching, processing and settlement facilities for mobile money services. Settlement here refers to Inter- Scheme Settlement. Infrastructure providers are to comply with "Guidelines on Transactions Switching in Nigeria" and "Guidelines on Operations of Electronic Payment Channels in Nigeria".

8.4 Mobile Network Operators (MNOs):

Their role shall be guided by the following provisions:

- a. Providing telecommunication network infrastructure for the use of Mobile Money Operators;
- b. Ensuring that a secure communication channel based on the minimum technology standard stipulated in these Guidelines are implemented;
- c. That MNOs shall not give preferential treatment to any Financial institutions including, DMB, MMO or PSB over another in terms of required access, traffic and pricing;
- d. Ensuring that its customers are free to use any mobile money scheme service of their choice;
- e. Shall not receive deposits from the public, except in respect of the airtime billing of their customers;
- f. Shall not allow the use of the airtime value loaded by their customers for purposes of payments or to transfer monetary value;
- g. Shall ensure seamless interconnection between MMOs; and
- h. Shall not engage in any conduct which has a purpose or effect of anti-competition in any aspect of mobile money services.

8.5 CONSUMERS

They shall have rights/responsibilities as follows:

- a. Ease of enrolment
- b. Ease of use (SMS, USSD, STK, IVR, etc.)

- c. Privacy, Trust and Security of transaction
- d. Convenience
- e. Accessibility to funds on completion of transaction process
- f. Real time transfer of value
- g. Easy and prompt access to dispute resolution process
- h. Ensure the protection of PIN / Password
- i. Ensure prompt reporting of fraud cases, errors and complaints
- j. Ensure proper confirmation of transaction details and recipients' mobile phone numbers at all times before authorizing transactions.
- k. Comply with all security rules as provided by the scheme operator
- l. Escalate complaints to the Consumer Protection Departments of the Central Bank of Nigeria, if resolution of complaints is unduly delayed.

9.0 NOMINEE/SETTLEMENT ACCOUNT

- a. MMOs shall appoint and notify CBN of their settlement banks.
- b. All obligations arising from mobile money transactions shall be settled into settlement accounts held with Deposit Money Banks. MMOs shall maintain separate accounts for their other business activities.
- c. The settlement accounts with the deposit money banks shall be opened as Nominee Accounts on behalf of the customers of the Mobile Money Operators. The operations of the account shall be guided by the following conditions:
 - i. The account shall not be interest bearing;
 - ii. No right of set-off;
 - iii. Debit transactions into the account shall only be for settlement related transactions; and
 - iv. No bank charge of any form shall apply to the account.
- d. The settlement account shall not be used, under any guise or purpose, as

collateral for negotiation of loans by the organisation.

- e. The balance on the settlement account shall always be equal to the total outstanding (un-spent) balance of all holders of the e-money.
- f. Mobile Money Operators shall be required to reconcile on a daily basis, the balances in their pool accounts and make weekly returns to the Director, Payments System Management Department of the CBN.
- g. All customer transactions shall be traceable; auditable and can be validated.
- h. Remittance inflow messages shall, at a minimum, be conveyed to the recipient through SMS.

10.0 OPERATIONS OF SAVINGS WALLET

10.1 Modalities for Implementation

If an MMO intends to provide a savings wallet service, it shall notify the Bank and where the Bank has no objection, the MMO shall have the following responsibilities:

10.1.1 Pre-Operations

An MMO offering a Savings wallet service shall operate a Savings Wallet Principal Pool Account and a Savings Wallet Interest Pool Account in a settlement bank with the funds having NDIC protection under the pass-through insurance arrangement.

10.1.2 Investment Operations

- a. Funds on saving wallets shall be invested in only the Nigerian Treasury Bills (NTB);
- b. MMOs shall be treated as mandate customers of CBN for NTB subscription through the CBN NTB window;
- c. MMOs shall have a process to determine appropriate cash balance on its Savings Wallet Principal Pool Account that will meet its savings wallets customers' withdrawal requirements at every point in time; and
- d. At every point in time, MMOs shall ensure that the sum of the principal amount invested and the balance on the Savings wallet principal pool account with the

settlement bank equals the sum of outstanding balances of savings wallet holders.

10.1.3 Interest Distribution

- a. Fees and charges for the management of the investment shall not be more than 10% of interest income on savings wallet funds investment;
- b. Where an MMO operates a savings wallet, i.e., a wallet earning interest, it shall expressly inform subscribers of the following:
 - i. The minimum balance on the savings wallet that qualify to earn interest.
 - ii. The allowable number of withdrawals to be entitled to earn interest.
 - iii. The minimum savings period to earn interest.
 - iv. The applicable balance that would earn interest.
 - v. The procedure for determining interest amount distributable to subscribers which should stipulate the minimum percentage of interest income to be distributed to subscribers and the proportion to be retained by the MMO, if applicable.
 - vi. The applications of section 10.1.3 (b) (i) to (v) in distributing interest shall be automated.
- c. On no account whatsoever, shall a Mobile Money savings wallet account holder suffer diminution in the principal sum on his/her wallet as a result of fees or charges;
- d. Deposit Money Banks serving as settlement banks are prohibited from off-setting any other transactions of the MMO, including the transaction wallet pool accounts, against the savings wallet principal pool accounts and savings wallets interest pool account; and

MMOs shall comply with the minimum disclosure requirements on the financial statements as stipulated by the Bank;

11.0 SETTLEMENT

- a. The settlement process to be deployed by Mobile Money Operators shall ensure compliance with the settlement standards and requirements defined in these Guidelines.
- b. The MMO shall ensure that its mobile money infrastructure fully complies with the clearing and settlement rules for finality of settlement.
- c. The scheme operator shall, on a daily basis request for its settlement positions from its bankers for reconciliation of transactions.
- d. All inter scheme settlements shall be routed through the inter-bank settlement system.
- e. The scheme operator shall ensure that all settlement information details are preserved for reference for a minimum period of seven (7) years.
- f. The scheme operator shall maintain a minimum shareholder funds of N2,000,000,000.00 (Two Billion Naira Only) unimpaired by losses at all times or such other amount as may be prescribed by the CBN from time to time.

11.1 Operating Rules for Scheme Settlement Operator

Nigeria Inter-bank Settlement System Plc (NIBSS)

shall:

- a. Provide net settlement positions of all Inter-Scheme service providers and effect final settlement using the CBN Real Time Gross Settlement (RTGS) on (T+1) cycle.
- b. Provide statistical reports to the regulatory bodies and participants as may be prescribed from time to time.
- c. Maintain audit trail and transaction log of all transactions consummated on the scheme.
- d. Provide the infrastructure (hardware, software, switching and security) to link all inter scheme providers.
- e. Provide business continuity/disaster recovery plans to ensure services are available at all times.

- f. Provide 99.99% for system reliability and availability to ensure that all signed-on participating institutions align with same rules.
- g. Facilitate MMO's connection to the National Central Switch (NCS) for the purpose of interoperability.
- h. Ensure that the mobile payments system is interoperable with the network infrastructure of different MNOs, solution providers, MMOs and the NCS.

11.2 Inter - Scheme Settlement

The role of NIBSS as Inter-Scheme Settlement Provider shall be to provide net positions of transactions across schemes to the inter-bank settlement system to affect the finality of payment for services consummated across two different Schemes by various participants.

11.3 Forms of Settlement

There are two transaction scenarios that come into play. These scenarios On-us and Not on-us transactions:

11.3.1 On-Us Transactions

- a. These are payment transactions in which all parties involved in the transaction cycle are of the same scheme, i.e., Issuer, Acquirer, Merchant and Consumer.
- b. Transactions are not routed through a switch except where an external processor is involved, e.g., Airtime Recharge Transactions and Bills payment.

These set of transactions do not require settlement.

11.3.2 Not-on-Us/Remote-on-Us Transactions

- a. These are payment transactions where an Acquirer Terminal is used by other Issuers.
- b. The role of the Inter-Scheme Settlement Providers shall be to provide a net position of all participants, the acquirer and the issuer, which consummate services across schemes to the inter-bank settlement system to affect the finality of payment.

11.4 Final Settlement

For finality of settlement between participating institutions, settlement providers shall provide settlement information of their participants to the final settlement system. Final Settlement shall be done through the CBN Real Time Gross Settlement (RTGS) by effecting the net positions provided by the Nigeria Central Switch and the inter-bank settlement system.

12.0 TRANSACTION SECURITY STANDARDS

12.1 Mobile Money solutions deployed shall adhere to the following minimum standards:

- i. The minimum encryption standard is 3DES encryption. Encryption shall be on an end-to-end basis;
- ii. ISO 8583;
- iii. EMV standards in the case of Card payment related transactions;
- iv. PCIDSS -Payment Card Industry Data Security Standard;
- v. All subsequent routing of messages to the Mobile Money Operators' servers must be with the highest level of security with dedicated connectivity like leased lines (E1 links) / VPNs;
- vi. That any sensitive information stored in third party systems is restricted with appropriate encryption and hardware security standards as contained in these Guidelines;
- vii. All transactions on an account shall be allowed only after authentication of the mobile number and the PIN associated with it;
- viii. That mobile payments application shall not allow the option of saving the PIN either on the handset or on the application;
- ix. All account(s) activated by the consumer on mobile application(s) shall be linked to mobile phone number(s);
- x. The PIN shall not travel in plain text during the transaction;

- xi. That proper system of verification of the phone number shall be implemented;
- xii. The payment authorisation message from the user's mobile phone shall, at the minimum, be 3DES encrypted and checked for tampering by the scheme operator. It shall not be possible for any interceptor to change the contents of the message;
- xiii. There shall exist, a security policy duly approved by the Board of Directors of the organisation providing the service;
- xiv. Segregation of duty of Security Officer / Group dealing exclusively with information systems security and Information Technology Division which implements the computer systems;
- xv. The Information Systems Auditor shall conduct periodic audit of the system to ensure adherence to the specified security standards;
- xvi. Logical access controls to data, systems, application software, utilities, telecommunication lines, libraries, system software, etc. exists; and
- xvii. At the minimum, there shall be in place, the use of proxy server type of firewall so that there is no direct connection between the Internet and the Mobile Money Operators' systems. For sensitive systems, an inspection firewall shall be implemented to thoroughly inspect all packets of information, compare past and present transactions and enable a real time security alert.

13.0 INFRASTRUCTURE

The core infrastructure for providing a national mobile payment system comprises of transaction processing, clearing and settlement platforms. The responsibility for the provision and management of these platforms shall be that of the Lead Initiator.

14.0 RISK MANAGEMENT

- 14.1 In view of the peculiarity of the operations of the MMOs and the unique risks associated with their operations, these Guidelines hereby specifies the following requirements to mitigate risks arising from their activities.

- a. The MMOs shall ensure that risk mitigation techniques are in place to minimize operational, liquidity, technical, fraud, financial and money laundering risks;
- b. The mobile payments system shall not be susceptible to sustained operational failures, as a result of system outages;
- c. A risk management officer shall be assigned by the MMOs, who is to provide internal risk management oversight;
- d. The CBN will review the risk management programme, including all the controls that are in place to manage the risks from time to time; and
- e. The MMOs shall ensure strict adherence to the risk management governance provisions specified in extant Code of Corporate Governance as may be applicable to MMOs.

14.2 Credit and Settlement Risk

The central role of the settlement infrastructure requires that MMOs shall:

- a. Ensure that the mobile payment settlement platform automatically generates transaction settlement information/records.
- b. Adopt standard messaging formats as provided by NIBSS, for all schemes for settlement purposes.
- c. Maintain audit trail and settlement log for a minimum of seven (7) years.
- d. Fulfill other conditions that may be reviewed by the regulatory authorities from time to time.

14.3 Business Continuity Risk

MMOs shall:

- a. Maintain proper backup infrastructure.
- b. Implement a disaster recovery and business continuity plan.

- c. Periodically test the effectiveness of the backup infrastructure and business continuity plan.

14.4 Business Continuity Plan (BCP)

MMOs shall:

- a. Have, well documented and tested business continuity plans approved by the board, that address all aspects of the mobile money business, to take care of business disruptions and ensure system availability and recoverability:
 - i. Both data and software should be backed up periodically.
 - ii. Recovery and business continuity measures, based on the criticality of the systems, shall be in place and a documented plan with the organization and assignment of responsibilities of the key decision-making personnel shall exist.
 - iii. An off-site back up is required for recovery from major failures / disasters to ensure business continuity. Depending on criticality, different technologies based on backup, hot sites, warm sites or cold sites should be available for business continuity.
 - iv. Develop and implement comprehensive risk management framework to identify, monitor and control risks. This should provide the strategy to resolve potential problems that may result from internal and external interdependencies.
- b. Comply with laid down minimum technology standards as specified in this document.
- c. Ensure proper/adequate back up of data as may be required by their operations.
- d. Ensure that the Mobile Money infrastructure BCP is tested through a fail-over process, at least twice a year.

14.5 The BCP shall be:

- a Based on a comprehensive Business Impact Analysis and Risk Assessment;
- b Documented in a written programme;
- c Reviewed and approved by the board and senior management, at least annually;
- d Disseminated to employees;
- e The responsibility of the MMO, where it is outsourced to a third-party;
- f Flexible to respond to unanticipated threat scenarios and changing internal conditions;
- g Focused on the impact of various threats that could potentially disrupt operations rather than on specific events;
- h Developed based on valid assumptions and an analysis of interdependencies;
- i Effective in minimizing service disruptions and financial loss through the implementation of mitigation strategies;
- j Ensure that processing priorities can be adequately implemented and that business operations can be resumed in a timely manner;
- k Monitor closely mobile traffic and system capacity to ensure that any service degradation due to capacity problems are addressed promptly;
- l To ensure that the BCP is reviewed by external auditors at least annually and a copy of the report forwarded to the CBN latest March 31st of the following year;
- m Ensure employees are trained and aware of their roles in the implementation of the BCP;
- n Ensure the fail over is tested, at least quarterly, and enterprise wide BCP on yearly basis;
- o Review the BCP testing programme and test results on a regular basis; and
- p Ensure the BCP is continually updated to reflect the current operating environment.

15.0 TECHNOLOGY

The technology implemented for mobile money services shall comply with the following standards and other requirements outlined in the provisions of these Guidelines.

Standards

a. Modularity of Technologies

- i. The MMOs shall ensure that the minimum technology standards for communication are met (Interoperability and Interconnectivity).
- ii. Only secure channels shall be used in providing mobile money services.
- iii. The mobile money services shall ensure non-repudiation.

b. Reliability

- i. Payment instruction shall be consistently executed. In the event of failure, reversal shall be immediate and automatic.
- ii. Consumers shall get immediate value for every successful transaction.

c. User Interface

- i. The user interface shall, at the minimum, adhere to the security requirements as stated in the guideline.
- ii. The user interface shall not provide access to confidential information.
- iii. PIN shall be encrypted at the point of entry.

16.0 KNOW YOUR CUSTOMER (KYC) AND CUSTOMER DUE DILIGENCE (CDD) REQUIREMENTS

- i. All MMOs shall comply with the provisions of extant laws.
- ii. The transaction and balance limit for Mobile Money Wallet shall be as follows:

| KYC Level | Daily Cumulative transaction limit (Outflow) (₦) | Cumulative Balance Limit (₦) |
|-----------|--|--|
| 1 | 50,000 | 300,000, in line with the three-tiered KYC |
| 2 | 200,000 | 500,000, in line with the three-tiered KYC |
| 3 | 5,000,000 | Unlimited, as provided in the three - tiered KYC |

iii. All MMOs shall comply with the provisions of extant laws on CBN AML/CFT Regulation. The Bank may determine the transaction limits from time to time.

17.0 CERTAINTY OF MOBILE TRANSACTIONS

For the purpose of establishing certainty of transactions through mobile money, MMOs shall ensure the following:

- a. Summary of transaction requested must be displayed to the user for confirmation. The transaction summary shall include, the phone numbers of the paying user and receiving user, transaction description, the transaction amount, date and time and a unique transaction identifier. By confirming the summary, the user commits to the transaction.
- b. Option for the user to save such transaction summary.
- c. Upon completion of the transaction, the user receives an electronic receipt which shall conform to the transaction summary earlier displayed and the option for saving the electronic receipt shall be available to the user.
- d. The electronic summary of transaction and the electronic receipt should be securely logged, and the log maintained online for a minimum period of three (3) months and subsequently archived for a minimum period of seven (7) years. However, if a complaint arises before the expiration of the seven (7) years, the log in respect of such pending complaints shall be maintained until the case is completely resolved or discharged.
- e. Regulatory authorities, Law Enforcement Agencies or Arbiters are granted access to the log, when required, for the purpose of certifying a printed copy for evidential purposes.

18.0 CONSUMER PROTECTION MEASURES

MMOs shall comply with the following minimum requirements:

- a. Ensure that customers understand the transactions they are entering, and adequate disclosures are made.
- b. Ensure that a channel of communication is in place 24/7 to entertain enquiries and complaints in a language understood by customers.
- c. Clearly display charges for services through its agents. Factor in the vulnerability of the lower end of the society in product and services design. There should be adequate consumer education activities to ensure that consumers are sensitized on the services.
- d. Ensure that appropriate consumer protection mechanisms are put in place against loss of service, fraud and privacy of customer information to enhance confidence in the mobile money services.
- e. Provide the leading role in dispute resolutions and take necessary steps to reach other agencies in the ecosystem that are relevant to resolving disputes.
- f. Resolve customer complaints within a reasonable time and not later than 48 hours from the date of reporting or lodging the complaint with the MMO.
- g. Be held responsible for the actions and inactions of their agents.

19.0 DISPUTE RESOLUTION MECHANISMS

Disputes arising between institutions within the mobile money scheme shall be settled as follows:

- a. The institutions shall settle disputes within 14 days.
- b. If resolution is not achieved, after (a) above, institutions may thereafter settle the dispute in accordance with the provisions of the Arbitration and Conciliation Act, Cap A18, Laws of the Federation of Nigeria, 2004.

20.0 CESSATION OF MOBILE PAYMENT SERVICE

- a. Any MMO wishing to exit from the mobile payments system shall notify the CBN in writing regarding the intention for the discontinuation, 120 days before ceasing its operations;

- b. The CBN shall have powers to order any MMO exiting from the mobile payments system to meet its outstanding obligations.

21.0 RESOLUTION OF FAILED MOBILE MONEY OPERATORS

- a. The NDIC shall provide deposit insurance to cover and guarantee the mobile money deposit wallet subscribers.
- b. In the event of the failure of the settlement bank, the NDIC shall give effect to the maximum coverage level prescribed in the NDIC Framework for the Establishment of Pass through Deposit Insurance for subscribers of Mobile Money Operators in Nigeria.
- c. The CBN in the event of failure of a Mobile Money Operator shall facilitate the assumption of the deposit liability of the failed Mobile Money Operator by another Mobile Money Operator or any other Financial Institution as it deems fit; and
- d. In the event of (c) above, the subscribers' funds in the pool account shall be transferred to the Mobile Money Operator appointed to assume the liability.

22.0 STATUTORY RETURNS

MMOs shall, at the end of every month and not later than the 14th day of the next month, submit to the CBN, data and other information on mobile money operations including:

- i. Nature, value and volume of transactions;
- ii. Incidents of fraud;
- iii. Nature and number of customer complaints and remedial measures taken; and
- iv. Any other information as may be prescribed by the CBN.

23.0 ANNUAL REPORTING

MMOs shall make available to the CBN their audited annual returns within the first three months after the year end or 31st of March.

24.0 REMEDIAL MEASURES

If an MMO or its agent fails to comply with these Guidelines, the CBN may take any corrective action against the MMO as may be prescribed from time to time.

25.0 SANCTIONS

In addition to the use of remedial measures in Section 21, the CBN may impose any or all of the following sanctions against an MMO, its board of directors, officers or agents:

- a. Withholding Corporate approvals;
- b. Financial penalties;
- c. Suspension from mobile money operation; and
- d. Revocation of the mobile money operation license.

26.0 REVIEW OF THE GUIDELINES

This Guideline shall be reviewed from time to time by the Central Bank of Nigeria.

APPROVED

27.0 GLOSSARY OF TERMS

- a. **CBN RTGS:** The Real Time Gross Settlement (RTGS) System deployed by the Central Bank of Nigeria which effects settlement of transfer among banks on real time and gross basis.
- b. **CBN:** A deposit taking institution duly licensed by the Central Bank of Nigeria.
- c. **Interoperability:** A situation in which payment instruments belonging to a given scheme may be used in systems installed by other schemes.
- d. **Inter-Scheme Operation:** Inter-Scheme operations are mobile payments consummated across two different schemes by various participants.
- e. **Intra-Scheme Operations:** Intra-Scheme operations are mobile payments that are consummated within a service provider's scheme.
- f. **Issuer:** An entity which receives payment in exchange for value distributed in the system and which is obligated to pay/redeem transactions or balances presented to it.
- g. **Mobile Money Operators:** Provide the infrastructure for the mobile payment systems for the use of participants that are signed-on to their scheme.
- h. **NCC:** Refers to the Nigeria Communications Commission with Regulatory powers over the telecommunication companies (Telcos)
- i. **Service Providers:** Employ the infrastructure of the scheme operator to provide services to end users.
- j. **Settlement Infrastructure Providers:** Organizations providing infrastructure that enables message exchange, switching and settlement facilities for mobile money services.
- k. **NIBSS:** Nigeria Inter-Bank Settlement System Plc (*NIBSS*) was incorporated in 1993 and is owned by all licensed banks including the Central Bank of Nigeria (CBN). It commenced operations in June 1994.
- l. **3DES:** Triple (3) Data Encryption Standard: is a symmetric-key block cipher, which applies the DES cipher algorithm three times to each data block

- m. **Nominee Account:** Account set up by a Nominee (MMO) for settlement of customer transactions held on behalf of the individual customers (the 'beneficial owner') under a custodial agreement.
- n. **Licensed Corporate Organizations:** Companies licensed by the Corporate Affairs Commission (CAC) under the Companies and Allied Matters Act 2004 (CAMA), to carry business in Nigeria.
- o. **Infrastructure Providers:** These are organizations providing infrastructure that enable switching, processing and settlement facilities for mobile money services. Settlement here refers to Inter-Scheme Settlement.
- p. **PCIDSS:** Payment Card Industry Data Security Standard - The Payment Card Industry Data Security Standard is an information security standard for organizations that handle branded credit cards from the major card schemes. The PCI Standard is mandated by the card brands but administered by the Payment Card Industry Security Standards Council.
- q. **SMS:** Short Message Service - SMS is a text messaging service component of most telephone, Internet, and mobile device systems. It uses standardized communication protocols that let mobile devices exchange short text messages. An intermediary service can facilitate a text-to-voice conversion to be sent to landlines
- r. **USSD:** Unstructured Supplementary Service Data - Unstructured Supplementary Service Data, sometimes referred to as "quick codes" or "feature codes", is a communications protocol used by GSM cellular telephones to communicate with the mobile network operator's computers
- s. **STK:** Systems Tool Kit - Systems Tool Kit, often referred to by its initials STK, is a physics-based software package from Analytical Graphics, Inc. that allows engineers and scientists to perform complex analyses of ground, sea, air, and space platforms, and share results in one integrated environment
- t. **IVR:** Interactive Voice Response - Interactive voice response is a technology that allows humans to interact with a computer-operated phone system through the use of voice and DTMF tones input via a keypad.
- u. **Savings Wallet Principal Pool Account:** which shall hold all funds on holder's savings wallet .

- v. **Saving Wallet Interest Pool Account:** which shall hold interest accruing from the investment of the funds of the savings wallet holders.

Central Bank of Nigeria, Abuja

July 2021

APPROVED



CENTRAL BANK OF NIGERIA

SUPERVISORY FRAMEWORK FOR PAYMENT SERVICE BANKS

JULY 2021

Contents

| | |
|--|----|
| PREAMBLE | 4 |
| 1.0 STRUCTURE OF PAYMENT SERVICE BANKS | 5 |
| 2.0 PERMISSIBLE AND NON-PERMISSIBLE ACTIVITIES | 5 |
| 2.1 Permissible Activities | 5 |
| 2.2 Non-Permissible Activities | 6 |
| 3.0 OWNERSHIP AND LICENSING REQUIREMENTS | 6 |
| 4.0 CORPORATE GOVERNANCE | 6 |
| 4.1 BOARD STRUCTURE AND COMPOSITION | 7 |
| 4.2 BOARD AND BOARD COMMITTEES MEETINGS | 8 |
| 4.3 BOARD EVALUATION | 8 |
| 5.0 APPROVED PERSONS REGIME & COMPETENCY FRAMEWORK | 8 |
| 5.1 CHAIRMAN OF THE BOARD | 9 |
| 5.2 MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER (MD/CEO) | 10 |
| 5.3 DEPUTY MANAGING DIRECTOR/EXECUTIVE DIRECTORS | 11 |
| 5.4 NON-EXECUTIVE DIRECTORS (OTHER THAN THE CHAIRMAN) | 12 |
| 5.5 INDEPENDENT NON-EXECUTIVE DIRECTORS (INED) | 13 |
| 5.6 CHAIRMAN OF BOARD AUDIT AND RISK MANAGEMENT COMMITTEE (BARMC) | 14 |
| 5.7 CHAIRMAN OF REMUNERATION COMMITTEE (REMCO) | 15 |
| 5.8 CHAIRMAN OF NOMINATION COMMITTEE | 16 |
| 5.9 EXECUTIVE DIRECTOR (ED), RISK | 17 |
| 5.10 EXECUTIVE COMPLIANCE OFFICER | 17 |
| 5.11 CHIEF FINANCIAL OFFICER (CFO) or whoever that has the overall | 18 |
| 5.12 HEAD, INTERNAL AUDIT | 19 |
| 5.13 CHIEF RISK OFFICER | 19 |
| 5.14 CHIEF COMPLIANCE OFFICER | 20 |
| 5.15 CHIEF TREASURER | 21 |
| 5.16 MONEY LAUNDERING REPORTING OFFICER | 21 |
| 5.17 CHIEF INFORMATION SECURITY OFFICER (CISO) | 22 |
| 6.0 KNOW YOUR CUSTOMER (KYC) & ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT) | 23 |
| 7.0 SHARED SERVICES | 85 |
| 8.0 PRUDENTIAL RATIOS | 86 |
| 9.0 DATA INFRASTRUCTURE AND CYBER SECURITY | 86 |

| | | |
|------|--|----|
| 10.0 | INTEROPERABILITY..... | 88 |
| 11.0 | BUSINESS CONTINUITY MANAGEMENT SYSTEM..... | 89 |
| 13.0 | INTEGRATION TO THE GLOBAL STANDING INSTRUCTION (GSI) PLATFORM..... | 91 |
| 14.0 | COMPLIANCE WITH EXTANT LAWS AND REGULATIONS..... | 92 |
| 15.0 | MONITORING AND EVALUATION..... | 93 |
| 16.0 | SANCTIONS..... | 93 |

Approved

PREAMBLE

The Central of Nigeria (CBN), hereafter called the Bank, has introduced various initiatives to enhance access to financial services for the unbanked population of the Nigerian economy. This included the deployment and facilitation of the use of technology to drive the financial inclusion ambition of the CBN. To this end, the Guidelines for the Licensing and Regulation of Payment Service Banks (PSBs) in Nigeria was issued in 2018 (revised 2020).

The Payment Service Banks are expected to leverage on technology to provide services that would be easily accessed by the unbanked population and those who are in hard-to-reach areas of the country. This framework hereby provides a set of regulations that are targeted at streamlining the operations of Payment Service Banks, ensuring transparency in their operations as well as ensuring adequate customer protection. The framework focuses on corporate governance, risks management of the PSBs, and safety of funds to the consumers of the Payment Service Banks' products. This Framework also aims to ensure that sound risk management practices are embedded in the operations of the Payment Service Banks.

Payment Service Banks are required to comply with relevant extant regulations and CBN's prudential guidelines and circulars which are issued periodically.

1.0 STRUCTURE OF PAYMENT SERVICE BANKS

The Payment Service Banks shall use the words "Payment Service Bank" in its name to differentiate it from other banks. However, the name of a PSB shall not include any word that links it to its parent company or promoter.

Also, they shall:

- i. Operate mostly in the rural areas and unbanked locations targeting financially excluded persons, with not less than 25% financial service touch points in such rural areas as defined by the CBN from time to time;
- ii. Enter into direct partnership with card scheme operators. Such cards shall not be eligible for foreign currency transactions;
- iii. Deploy ATMs in some of these areas;
- iv. Deploy Point of Sale devices;
- v. Be at liberty to operate through banking agents (in line with the CBN's Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria);
- vi. Roll out agent networks with the prior approval of the CBN;
- vii. Use other channels including electronic platforms to reach-out to its customers;
- viii. Establish coordinating centres in clusters of outlets to superintend and control the activities of the various financial service touch points and banking agents;
- ix. Be technology-driven and shall conform to best practices on data storage; security and integrity; and
- x. Set up consumer help desks (physical and online) at its main office and coordinating centres.

2.0 PERMISSIBLE AND NON-PERMISSIBLE ACTIVITIES

2.1 Permissible Activities

Payment Service Banks shall carry out the following activities:

- i. Accept deposits from individuals and small businesses, which shall be covered by the deposit insurance scheme;
- ii. Carry out payments and remittances (including inbound cross-border personal remittances) services through various channels within Nigeria;

- iii. Sale of foreign currencies realized from inbound cross-border personal remittances to authorized foreign exchange dealers;
- iv. Without prejudice to 2.1 'i' and 'ii' above, comply with provisions of the extant Foreign Exchange Regulations of the CBN;
- v. Issue debit and pre-paid cards on its name;
- vi. Operate electronic wallet;
- vii. Render financial advisory services;
- viii. Invest in FGN and CBN securities; and
- ix. Carry out such other activities as may be prescribed by the CBN from time to time.

2.2 Non-Permissible Activities

Payment Service Banks shall not carry out the following activities:

- i. Grant any form of loans, advances and guarantees (directly or indirectly). They may lend to their employees in line with their employee loan policy, subject to the approval of their Board;
- ii. Accept foreign currency deposits;
- iii. Deal in the foreign exchange market except as prescribed in 4.1 (ii & iii) above;
- iv. Insurance underwriting;
- v. Undertake any other transaction which is not prescribed by this Guidelines;
- vi. Accept any closed scheme electronic value (e.g. airtime) as a form deposit or payment;
- vii. Establish any subsidiary except as prescribed in the CBN Regulation on the Scope of Banking and Ancillary Matters, No 3, 2010.

3.0 OWNERSHIP AND LICENSING REQUIREMENTS

This shall be as provided in Sections 5.0 and 6.0 of the Guidelines for Licensing and Regulation of Payment Service Banks (2020), or the extant Regulation.

4.0 CORPORATE GOVERNANCE

To ensure sound corporate governance culture, all Payment Service Banks shall adopt structures and practices that will protect the interest of all stakeholders. To this end all

Payment Service Banks shall comply with the following specific provisions, in addition to the provisions of Corporate Governance Guidelines for Payment Service Banks.

4.1 BOARD STRUCTURE AND COMPOSITION

- (a) The Procedure for appointment to the Board shall be formal, transparent and documented in the Board Charter.
- (b) Members of the Board of Directors shall be appointed by the shareholders of the PSB and approved by the CBN.
- (c) The size of the Board of any PSB shall be limited to a minimum of five (5) and a maximum of thirteen (13).
- (d) The Board of a PSB shall have at least one (1) Non-Executive Director as Independent Director. For publicly listed Payment Service Banks, the provisions of CAMA 2019 shall apply.
- (e) The Board shall reflect diversity in its composition. Both genders shall be adequately represented on the Board.
- (f) Members of the Board shall be qualified persons of proven integrity and shall be knowledgeable in business, financial matters and/or information technology.
- (g) At least two (2) non-executive directors shall be required to have banking or related financial industry experience.
- (h) Not more than two members of an extended family shall be on the Board of a Payment Service Bank, its subsidiary or Financial Holding Company (HoldCo) at the same time. Furthermore, only one extended family member can occupy the position of either MD/CEO, Chairman or ED at any point in time.
- (i) The expression 'extended family' in this Framework includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces, in-laws and any other construed relationship as to be determined by the CBN.
- (j) Prospective directors on the Board of a Payment Service Bank are required to disclose board memberships on boards of other organisations, and current directors shall notify the Board of prospective appointments on boards of other organisations. The PSB shall obtain CBN's approval in both instances.
- (k) A director (except an INED) of a Payment Service Bank may be appointed a Non-Executive Director only within a Holding Company or a Group structure which the Payment Service Bank is a member, provided the aggregate number of directors from the Payment Service Bank at any point in time shall not exceed 30 per cent of the membership of the Board of the holding company and vice versa.

- (l) The position of an Executive Vice Chairman shall not be recognized in the board structure of any Payment Service Bank.
- (m) A director on the Board of a Payment Service Bank shall only be presented for reappointment at the last AGM before the expiration of the tenure of such a director.

4.2 BOARD AND BOARD COMMITTEES MEETINGS

- (a) The schedules of the Board and its committees' meetings shall be proposed and approved by the Board ahead of each financial year.
- (b) To effectively perform its oversight function and monitor management's performance, the Board and its Committees shall meet at least once every quarter.
- (c) The meeting of the Board and its committees shall be held at a specified location.
- (d) The quorum for the Board and its committees' meetings shall be two-thirds of members, majority of whom shall be NEDs.
- (e) Every Director is required to attend all meetings of the Board and Board Committees he or she is a member. In order to qualify for reappointment, a director must have attended at least two-thirds of all Board and Board Committee meetings.
- (f) Minutes of meetings of the Board and its Committees shall be properly written in English language, adopted and signed off by the Board/Committee Chairman and Secretary, pasted in the minute's book and domiciled at the PSB's Head Office.

4.3 BOARD EVALUATION

- (a) There shall be an annual appraisal of the Board, its Committees, Chairman and individual Directors covering all aspects of the Boards' structure, composition, responsibilities, processes and relationships or as may be prescribed by the CBN from time to time.
- (b) The Board appraisal shall be conducted by an Independent Consultant with adequate experience, knowledge and competence. The report of the annual Board appraisal shall be forwarded to the CBN by March 31st following the end of every accounting year and be presented to shareholders at the AGM.

5.0 APPROVED PERSONS REGIME & COMPETENCY FRAMEWORK

All Payment Service Banks shall comply with the provisions of the Assessment Criteria for Approved Persons' Regime for Payment Service Banks, which clearly stipulates the roles, responsibilities, minimum qualifications and/or experience for principal officers of Payment Service Banks.

The roles, responsibilities and minimum qualifications for principal officers of Payment Service Banks are as follows.

5.1 CHAIRMAN OF THE BOARD

a. Responsibilities

The Chairman (Chair) of the Board shall be responsible for:

- i. Setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chair shall also promote a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between executive and Non-Executive Directors.
- ii. Evaluating the performance of the Board and its sub-committees;
- iii. Leading the development and overseeing the implementation of the Payment Service Bank's policies and procedures for the induction, training and development of all directors.
- iv. Leading the development of the Payment Service Bank's culture by the bank's Board.
- v. Overseeing the assessment of fitness and propriety of the Payment Service Bank's INEDs.
- vi. Chairing and overseeing the performance of the Nomination Committee.

b. Qualifications

- i. A first degree or its equivalent in any discipline
- ii. Membership of Institute of Directors or any other relevant and recognized professional institute.

c. Years of Experience

- i. Relevant experience in business/executive role
- ii. 15 years post-graduation experience
- iii. 5 years board experience in Financial Services, Electronic Payments and ICT Industry

5.2 MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER (MD/CEO)

a) Responsibilities

The MD/CEO shall be responsible for:

- i. **Allocation of all Prescribed Responsibilities:** He/she shall consider and agree 'Prescribed Responsibilities' for all Executive Directors and other members of staff who report to the MD/CEO, ensuring that these responsibilities are readily understood, shared, implemented, and monitored on a regular basis.
- ii. **Overseeing the adoption of the Payment Service Bank's culture in the day-to-day management of the bank:** He/she shall entrench organizational culture in all the areas of the Payment Service Bank; directs the development and implementation of all policies and procedures that support the cultural objectives of the Payment Service Bank in line with the tone set by the Board.
- iii. **Overseeing the performance of the Risk function and ensuring the integrity and independence of the Payment Service Bank's risk function:** He/she shall have a line management responsibility for the Executive Director, Risk. The MD/CEO shall delegate implementation of the Risk function to the Executive Director, Risk.
- iv. **The production and integrity of the Payment Service Bank's financial information:** He/she shall have a line management responsibility for the Chief Financial Officer, and shall ensure that the setting, communication, and delivery of the bank's total expenditure and income budget is in line with the Payment Service Bank's budget as set by the Board. The MD/CEO is also responsible for ensuring regular updates to the Board on the Payment Service Bank's financial information.
- v. **The development and maintenance of the bank's business model and strategy:** He/she shall be responsible for setting the Payment Service Bank's overall strategy and business model (subject to approval by the Board).

The MD/CEO shall ensure that business strategies are communicated internally and implemented by all staff and ensure that regular updates are made available to all relevant stakeholders.
- vi. **Talent management:** He/she shall be responsible for developing and delivering a talent management plan for the Payment Service Bank, including regular updates to the Board on succession plans for the senior management team.
- vii. **Budget:** He/she shall have line management responsibility for the Chief Financial Officer, and shall ensure that the setting, communication, and delivery of the bank's total expenditure and income budget is in line with the budget as approved by the Board.

- viii. **Risk:** He/she shall have line management responsibility for the Executive Director, Risk, and shall ensure that the bank has a risk profile consistent with ensuring the delivery of its objectives.

b) Qualifications

A minimum of first degree or its equivalent in any discipline plus a higher degree or professional qualification in any business-related discipline or IT related disciplines.

c) Years of Experience

Candidate shall have a minimum of twenty (20) years post-graduate experience, out of which at least fifteen (15) years shall be in the banking industry and electronic payments service and financial inclusion related jobs, and at least 5 years as a senior management staff. The expected experience should span agent network development and expansion, customer service, business development and compliance.

5.3 DEPUTY MANAGING DIRECTOR/EXECUTIVE DIRECTORS

a. Responsibilities

The Deputy Managing Director/Executive Directors shall:

- i. Oversee all operations, functions and activities under his/her purview;
- ii. Be responsible for giving the proper strategic direction and implementing board policies as well as ensuring function(s) under his/her purview operates efficiently and effectively to meet business goals.

b. Qualification

A minimum of first degree or its equivalent in any discipline plus a higher degree or professional qualification in any business/IT related discipline.

c. Years of Experience

Candidate shall have a minimum of eighteen (18) years post-graduate experience, out of which at least 12 must have been in banking, electronic payments and financial inclusion related jobs, and at least 2 as General Manager. Evidence of experience in diverse areas such as agent network development, customer service, banking operations and compliance shall be provided for the candidate.

A Deputy Managing Director/Executive Director must have served for a minimum of two (2) years for him/her to be qualified for appointment as a Managing Director.

5.4 NON-EXECUTIVE DIRECTORS (OTHER THAN THE CHAIRMAN)

a. Responsibilities

Non-Executive Directors shall carry out the following responsibilities:

- i. **Strategy** - Non-Executive Directors shall constructively contribute to the process of developing proposals on strategy.
- ii. **Performance** - Non-Executive Directors shall scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- iii. **Risk** - Non-Executive Directors shall satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust.
- iv. **People** - Non-Executive Directors shall as members of the Remuneration Committee determine appropriate levels of remuneration for Executive Directors. They should have a prime role in succession planning, appointment, and removal of Executive Directors.

b. Qualifications

- i. A first degree or its equivalent in any discipline
- ii. Membership of Institute of Directors or any other relevant and recognized institute

c. Years of Experience

- i. A minimum of 15 years' post- graduate experience;
- ii. Proven skills and competencies in their fields;
- iii. Knowledge of the operations of banks/electronic payments business and relevant laws and regulations guiding the financial services industry; and
- iv. Ability to interpret financial statements and make meaningful contributions to board deliberations;

In considering nominees with limited academic/professional qualifications and industry experience, the CBN shall take into account the following:

- i. Direct involvement of the nominee in an established business enterprise with total assets of not less than N300million.
- ii. The quality of courses and seminars attended in the last five (5) years prior to his nomination.

- iii. The size, scope and complexity of the institution;
- iv. The relevant experience and qualifications of other Board members;
- v. The existence and number of Independent Directors on the Board;
- vi. An assurance that the proposed director(s) would be exposed to accelerated training over a short period of time; and
- vii. Assignment of responsibilities commensurate with their experiences.

5.5 INDEPENDENT NON-EXECUTIVE DIRECTORS (INED)

a. Responsibilities

- i. Be an anchor, as required, for views by other Non-Executive Directors on the performance of the Chairman
- ii. Chair a formal annual session of the Nomination and Governance Committee members (excluding the Chairman) to agree the Chairman's objectives and review his performance
- iii. Be responsible for appraising the Chairman's performance taking into account the views of Executive Directors and other stakeholders.
- iv. Be the focal point for board members for any concerns regarding the Chairman, or the relationship between the Chairman and MD/CEO.

b. Qualification

- i. A first degree or its equivalent in any discipline
- ii. Membership of Institute of Directors or any other relevant and recognized professional institute.

c. Years of Experience

1. Independent Directors shall be appointed in accordance with:
 - i. The CBN's extant Guidelines for the Appointment of Independent Directors;
 - ii. The extant Corporate Governance for Payment Service Banks;
 - iii. Companies and Allied Matters Act (CAMA), 2020;
 - iv. Any other relevant law, rules and regulations issued from time to time by the CBN.
2. In particular, an Independent Director shall be a member of the Board of Directors who has no direct material relationship with the Payment Service

Bank or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.

3. An Independent Director shall not:

- i. beyond his services on the Board of a Payment Service Bank, provide financial, legal and/or consulting services to the institution or its subsidiaries/affiliates or had done so in the preceding 5 years;
- ii. be a current or former employee who had served in the Payment Service Bank in the past and none of his immediate family members should be an employee or former staff of the Payment Service Bank at the senior management level in the preceding 5 years;
- iii. be part of management, executive committee or board of trustees of an entity, charity or otherwise, supported by the Payment Service Bank;
- iv. serve on the Board of a subsidiary or affiliate of the Payment Service Bank.

4. An Independent Director shall have:

- i. sound knowledge of the operations of listed companies, the relevant laws and regulations guiding the industry,
- ii. a minimum academic qualification of first degree or its equivalent with not less than 15 years of relevant working experience.
- iii. proven skills and competencies in their fields.

5. In addition, the requirements for Non-Executive Directors stated above shall apply.

5.6 CHAIRMAN OF BOARD AUDIT AND RISK MANAGEMENT COMMITTEE (BARMC)

a. Responsibilities

The Chairman of BARMC shall be responsible for:

- i. Chairing and overseeing the performance of BARMC.
- ii. Ensuring and overseeing the integrity and independence of the Payment Service Bank's internal audit function (including the Head of Internal Audit).
- iii. Ensuring the integrity, independence and effectiveness of the Payment Service Bank's policies and procedures on whistleblowing and ensuring staff that raise concerns are protected from detrimental treatment.

- iv. Monitoring the integrity of the financial statements.
- v. Overseeing the selection process for new external auditors.
- vi. Approving the letter of appointment of the external auditor.
- vii. Approving the remit and resources of the internal audit function and disclose in the Annual Report whether BARMC is satisfied that the internal audit function has appropriate resources.
- viii. Reviewing and report on the effectiveness of the Payment Service Bank's risk framework, risk standards, risk management policies and systems of internal control.

b. Qualification

- i. A first degree or its equivalent in any discipline
- ii. Membership of Institute of Directors or any other relevant and recognized professional institute

c. Years of Experience

- i. Relevant experience in business/executive role
- ii. 15 years post-graduate experience
- iii. 5 years board experience in Financial Services/Electronic Payments Industry

d. Mandatory Continuous Professional Training (MCPT)

For continued retention in the role, in addition to performance on the position, the Chairman, BARMC shall provide evidence of at least forty (40) hours of Mandatory Continuous Professional Training (MCPT) on Leadership, Strategic Management, Corporate Governance as well as specific areas of the board.

5.7 CHAIRMAN OF REMUNERATION COMMITTEE (REMCO)

a. Responsibilities

The Chairman of RemCo shall be responsible for:

- i. Determining all matters relating to the remuneration, including pension benefits and costs, of the MD/CEO and Executive Directors.
- ii. Advising the Board on major changes in remuneration structures within the Payment Service Bank, including pension benefits, and other remuneration matters specifically referred to it by the Board.

- iii. Approving the remuneration report for inclusion in the Payment Service Bank's Annual Report.

b. Qualification

- i. Minimum qualification:
- ii. A first degree or its equivalent in any discipline

c. Years of Experience

- i. Relevant experience in business/executive role
- ii. 15 years post-graduation experience
- iii. 5 years board experience in Financial Services Industry

5.8 CHAIRMAN OF NOMINATION COMMITTEE

a. Responsibilities

The Chairman, Nomination Committee shall:

- i. Put in place a policy promoting diversity on the Board;
- ii. Identify and recommend for approval, by the Board, candidates to fill Board vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the Board;
- iii. Prepare a description of the roles and capabilities for appointment, and assesses the time commitment required;
- iv. Ensure representation on the Board is diverse and prepare a policy to ensure diversity in composition of Board members;
- v. Periodically, and at least annually, assesses the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes;
- vi. Periodically and at least annually, assess the knowledge, skills and experience of individual members of the Board and of the Board collectively, and report this to the Board;
- vii. Periodically review the policy of the Board for selection and appointment of senior management and make recommendations to the Board; and
- viii. Ensure on an ongoing basis, that the Board's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the Payment Service Bank as a whole

b. Qualification

A first degree or its equivalent in any discipline

c. Years of Experience

A minimum of 15 years of experience within the financial services and electronic payments industry.

5.9 EXECUTIVE DIRECTOR (ED), RISK

a. Responsibilities

The ED, Risk shall:

- i. Provide policy direction and oversight for the institution's second-line risk functions to ensure: that all material risks are identified, measured and reported; that those functions are appropriately involved in material risk management decisions; and that the Payment Service Bank has an effective risk management framework.
- ii. Provide leadership, governance, and management necessary to identify, evaluate, mitigate, and monitor the Payment Service Bank's overall risk exposures.

b. Qualifications

- i. A first degree or its equivalent in any discipline.
- ii. Relevant postgraduate/professional certifications in risk management

c. Years of Experience

A minimum of eighteen (18) years post-graduate experience, out of which at least thirteen (13) years shall be in the banking industry with at least two (2) years as a general manager. Evidence of experience in diverse areas such as agent network development, customer service, banking operations and compliance shall be provided for the candidate.

5.10 EXECUTIVE COMPLIANCE OFFICER

a. Responsibilities

The Executive Compliance Officer (ECO) shall be an Executive Director and ensure compliance across the Payment Service Bank through oversight of the necessary control processes, policies, culture, and all relevant regulations by the CBN.

b. Qualifications

- i. A first degree or its equivalent in any discipline

- ii. Recognized professional certification will be an added advantage

c. Years of Experience

- i. A minimum of eighteen (18) years post-graduate experience, out of which at least thirteen (13) years shall be in the banking industry with at least two (2) as a general manager.
- ii. Evidence of experience in diverse areas such as agent network development, customer service, banking operations and compliance shall be provided for the candidate.

5.11 CHIEF FINANCIAL OFFICER (CFO) or whoever that has the overall

a. Responsibilities

The CFO shall be responsible for the following:

i. Finance

Financial control, budgeting, management reporting and analysis, statutory reporting and tax matters.

ii. The Payment Service Bank's capital and funding from a budget perspective.

The maintenance of the Payment Service Bank's capital and funding from a budget perspective is the responsibility of the CFO, who reports to the MD/CEO.

iii. The production and integrity of the Payment Service Bank's financial information and its regulatory reporting.

The CFO has responsibility for the production and integrity of the Payment Service Bank's financial information. The responsibility is shared with the MD/CEO and Chair of Board.

iv. Regulatory Returns

The CFO shall be responsible for periodic regulatory returns on financial matters to the CBN and any other regulator within the financial system (where required).

b. Qualifications

- i. A first degree or equivalent in any discipline.
- ii. Recognized professional certification such as ACCA, ACA, ANAN, CFA, etc.

c. Years of Experience

Minimum of 10 years post qualification experience in Finance & Performance Management role within the Financial Services Industry. Out of which at least 5 must have been at a senior management level.

5.12 HEAD, INTERNAL AUDIT

a. Responsibilities

The Head, Internal Audit shall be responsible for the preparation and delivery of an annual audit plan which is commensurate with business risk, evaluation of the effectiveness of internal controls, risk management and governance processes in all areas of the Payment Service Bank. The Internal Audit authority, role and responsibility shall be defined in the Board approved Internal Audit Charter.

b. Qualifications

- i. A first degree or equivalent in any discipline.
- ii. Recognized professional Accounting certification such as ACCA, ACA, etc.

c. Years of Experience

Minimum of 10 years' experience in the financial management/accounting function, 5 of which must be in senior position within the audit function

5.13 CHIEF RISK OFFICER

a. Responsibilities

The Chief Risk Officer (CRO) shall:

- i. Develop Enterprise Risk Management Framework, practices, and policies to analyse and report enterprise risks, and to manage risks according to a Board approved enterprise risk management framework.
- ii. Monitor and report on adherence to and consistency of strategic initiatives with Board-approved risk appetite framework, risk tolerances and risk profile.
- iii. Ensure that the organization's risk management policies and strategies are in compliance with applicable regulations, rating agency standards, and strategic imperatives of the Payment Service Bank.
- iv. Establish the Enterprise Risk Management architecture for the financial Payment Service Bank.
- v. Monitor and analyze risks within the company's business units and reports on these risks to the Board Audit and Risk Management Committees

b. Qualifications

- i. A first degree or its equivalent in any discipline
- ii. Recognized professional certification will be an added advantage

c. Years of Experience

A Minimum of 15 years post qualification experience in risk management or related area within the Financial Services or Information Technology Industry, of which at least 7 must have been in the Banking Sector and 5 years must have been at senior management level.

5.14 CHIEF COMPLIANCE OFFICER

a. Responsibilities

The Chief Compliance Officer (CCO) shall:

- i. Carry out a regular assessment of the adequacy of the Payment Service Bank's operational systems and controls to ensure that they continue to comply with laws and regulations.
- ii. Implement and maintain (as approved by the Board) procedures sufficient to ensure compliance of the Payment Service Bank
- iii. Provide guidance on steps that a Payment Service Bank can take to reduce the risk that its systems might be used to further financial crimes
- iv. Assess and monitor the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Payment Service Bank's compliance with all laws and regulations; and
- v. Advise and assist the relevant persons responsible for carrying out regulated activities to comply with the Payment Service Bank's compliance procedures
- vi. Oversee the independence, autonomy and effectiveness of the Payment Service Bank's policies and procedures on whistleblowing including the procedures for protection of staff (where the whistle was blown by a staff).

b. Qualifications

- i. A first degree or its equivalent in any discipline
- ii. Membership of International Compliance Association will be an added advantage

c. Years of Experience

A Minimum of 15 years post-graduation qualification experience in Risk/Control functions within the Financial Services and Electronic Payments Industry.

d. Mandatory Continuous Professional Training (MCPT)

For continued retention in the role, in addition to general performance on the job, the CCO shall provide evidence of at least forty (40) hours of Mandatory Continuous Professional Training (MCPT) in Financial Reporting, Cyber security, Regulatory management and AML/CFT related programs.

5.15 CHIEF TREASURER

a. Responsibilities

The Chief Treasurer shall be responsible for:

- i. Proper application of treasury policy, in particular to verify compliance with trading and other limits
- ii. The forecast of cash flow positions, related borrowing needs, and funds available for investments
- iii. The maintenance of institution's liquidity position.

b. Qualifications

A first degree or its equivalent in any discipline and relevant professional certification e.g. ACI or Treasury Dealership Certificate

c. Years of Experience

A Minimum of 15 years post-graduation experience out of which 8 years must have been spent in treasury related function.

5.16 MONEY LAUNDERING REPORTING OFFICER

a. Responsibilities

The Money Laundering Reporting Officer shall:

- i. Put in place appropriate documentation of the Payment Service Bank's risk management policies (as approved by the Board) and risk profile in relation to money laundering, including documentation of application of those policies;
- ii. Provide appropriate report on AML/CFT to the Board and senior management at least annually on the operation and effectiveness of those systems and controls;

- iii. Ensure that when appropriate, the information or other matter leading to knowledge or suspicion, or reasonable grounds for knowledge or suspicion of money laundering is properly disclosed to the Board;
- iv. Assess internal trends, external regulatory & law enforcement environment to make recommendations, understand risk areas and alter or add to current processes;
- v. Develop the overall program plan, oversee the execution of the plan and provide regular status report to executives on AML/CFT issues;
- vi. Establish and maintain an effective Customer Due Diligence/Enhanced Due Diligence risk rating and ensure ongoing assessments, review and analysis of unusual/suspicious account activity;
- vii. Conduct AML/CFT risk assessments annually or as needed with consideration to products, services, customers, and geographies that may present AML/CFT related risks; and
- viii. Be responsible for periodic regulatory returns on AML/CFT matters to the CBN and any other regulator within the financial system (where required)

b. Qualification

A first degree and relevant certification in AML/CFT

c. Years of Experience

At least 10 years post qualification experience

5.17 CHIEF INFORMATION SECURITY OFFICER (CISO)

a. Responsibilities

The CISO shall:

- i. Be responsible for the strategic policy (as approved by the Board) of the Payment Service Bank's information security program
- ii. Manage strategy, operation and the budget for the protection of the enterprise information assets
- iii. Stay abreast of information security issues and regulatory changes affecting the information security at the national and global level, communicate to the business segments on a regular basis about emerging developments

- iv. Manage company-wide information security governance processes and lead Information Security Liaisons with regulatory bodies and law enforcement agencies
- v. Lead information security planning processes and establish comprehensive information security program for the Payment Service Bank covering business, financial, legal and administrative information systems and technology.

b. Qualification

A University degree and relevant IT security/Audit certification

c. Years of Experience

At least 10 years post qualification experience 5 years in senior Management position and not less than 5 years in IT security/Audit certification role.

6.0 KNOW YOUR CUSTOMER (KYC) & ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT)

Payment Service Banks shall ensure that their systems are not used for money laundering and the financing of terrorism. They shall therefore comply with the provisions of the Central Bank of Nigeria (Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) Regulation 2019 (as amended) and extant laws of the Federation aimed at combatting money laundering and the financing of terrorism.

6.1 ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM (AML/CFT) REGULATION PSBS INNIGERIA

OBJECTIVES, SCOPE AND APPLICATIONS

a. Objectives

The objectives of this section of the framework shall be to:

- i. Provide Anti-Money Laundering and Combating the Financing of Terrorism ("AML/CFT") compliance guidance or guidelines for the PSBs under the regulatory purview of the Central Bank of Nigeria ("CBN") as required by relevant provisions of the Money Laundering (Prohibition) Act, 2011 (as amended), the Terrorism Prevention Act, 2011 (as amended) and other relevant laws and Regulations;
- ii. Enable the CBN diligently enforce AML/CFT measures and ensure effective compliance by PSBs; and
- iii. Provide guidance on Know Your Customer ("KYC") and to assist PSBs in the implementation of the provisions of this section of the framework.

b. Scope

This section of the framework covers:

- i. the key areas of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) policy;
- ii. development of compliance unit and function;
- iii. compliance officer designation and duties;
- iv. the requirement to cooperate with the competent or supervisory authorities;
- v. conduct of Customer Due Diligence;
- vi. monitoring and responding to suspicious transactions;
- vii. reporting requirements; record keeping; and
- viii. AML/CFT employee training.

c. Application

This section of the framework shall apply to Payment Service Banks in Nigeria within the regulatory purview of the Central Bank of Nigeria.

d. AML/CFT Institutional policy framework

A PSB shall:

- i. Adopt policies stating its commitment to comply with Anti-Money Laundering ('AML') and Combating Financing of Terrorism ('CFT') obligations under subsisting laws, regulations and regulatory directives and to actively prevent any transaction that otherwise facilitates criminal activity, money laundering or terrorism
- ii. Formulate and implement internal controls and other procedures to deter criminals from using its facilities for money laundering and terrorist financing.
- iii. Adopt a risk-based approach in the identification and management of their AML/CFT risks in line with the requirements of this framework.
- iv. Comply promptly with requests made pursuant to current AML/CFT legislations and provide information to the Central Bank of Nigeria (CBN), Nigeria Financial Intelligence Unit (NFIU) and other competent authorities
- v. Shall not in any way inhibit the implementation of the provisions of this section of the Framework and shall co-operate with the regulators and law enforcement agencies in the implementation of a robust AML/CFT regime in Nigeria.

- vi. Render statutory reports to appropriate authorities as required by law and shall guard against any act that will cause a customer or client to avoid compliance with AML/CFT legislations.
- vii. Identify, review and record other areas of potential money laundering and terrorist financing risks not covered by this framework and report same to the appropriate authorities
- viii. Reflect AML/CFT policies and procedures in their strategic policies
- ix. Conduct on-going Due Diligence and where appropriate enhanced Due Diligence on all business accounts and shall obtain information on the purpose and intended nature of the business account of their potential customer
- x. Ensure that their employees, agents and others doing business with them, clearly understand the AML/CFT programme.

e. Risk assessment

A PSB shall -

- i. take appropriate steps to identify, assess and understand their Money Laundering ('ML') and Financing of Terrorism ('FT') risks for customers, countries or geographic areas of their operations, products, services and delivery channels;
- ii. document its risk assessment profile;
- iii. consider all the relevant risk factors before determining what the level of the overall risk and the appropriate level and type of mitigation to be applied;
- iv. keep these assessments up to date; and
- v. have appropriate mechanisms to provide risk assessment information to regulatory, supervisory and competent authorities as well as Self-Regulatory Bodies ('SRBs').

f. Risk mitigation

A PSB shall –

- i. have policies, controls and procedures which are approved by its board of directors to enable it to manage and mitigate the risks that have been identified (either by the country or by the PSB);
- ii. monitor the implementation of those controls and enhance them, where necessary; and

- iii. take enhanced measures to manage and mitigate the risks where higher risks are identified.

g. Designation and duties of AML/CFT Compliance Officer

1. A PSB shall designate its AML/CFT Chief Compliance Officer with the relevant competence, authority and independence to implement the institution's AML/ CFT compliance programme;
2. The AML/CFT Chief Compliance Officer referred to in sub-section (1) of this section of the framework shall be appointed at management level and shall report directly to the Board on all matters under this framework;
3. The duties of the AML/ CFT Compliance Officer referred to in this sub-section (1) of this section of the framework shall include:
 - i. developing an AML/CFT Compliance Programme;
 - ii. receiving and vetting suspicious transaction reports from staff;
 - iii. filing suspicious transaction reports with the NFIU;
 - iv. filing other regulatory returns with the CBN and other relevant regulatory and supervisory authorities
 - v. rendering "nil" reports to the CBN and NFIU, where necessary to ensure compliance;
 - vi. ensuring that the PSB's compliance programme is implemented;
 - vii. coordinating the training of staff in AML/CFT awareness, detection methods and reporting requirements; and
 - viii. serving both as a liaison officer between his institution, the CBN and NFIU and a point-of- contact for all employees on issues relating to money laundering and terrorist financing.

h. Cooperation with Competent Authorities

1. A PSB shall give an undertaking that it shall comply promptly with all the requests made pursuant to the AML/CFT laws and regulations and provide information to the CBN, NFIU and other relevant competent authorities
2. A PSB's procedures for responding to authorized requests for information on money laundering and terrorist financing shall meet the following:

- i. searching immediately the PSB's records to determine whether it maintains or has maintained any account for or has engaged in any transaction with any individual, entity, or organization named in the request;
- ii. reporting promptly to the requesting authority the outcome of the search; and
- iii. protecting the security and confidentiality of such requests.

3.2 OFFENCES, MEASURES AND SANCTIONS

a. Scope of Offences

- (1) A PSB shall identify and file suspicious transaction reports to the NFIU, where funds, assets or property are suspected to have been derived from any of the following criminal activities:
- i. participation in an organized criminal group and racketeering;
 - ii. terrorism, including terrorist financing;
 - iii. trafficking in human beings and migrant smuggling;
 - iv. sexual exploitation, including sexual exploitation of children;
 - v. illicit trafficking in narcotic drugs and psychotropic substances;
 - vi. illicit arms trafficking;
 - vii. illicit trafficking in stolen and other goods;
 - viii. corruption;
 - ix. bribery;
 - x. cybercrime and other fraud;
 - xi. counterfeiting currency;
 - xii. counterfeiting and piracy of products;
 - xiii. environmental crime;
 - xiv. murder;
 - xv. grievous bodily injury;
 - xvi. kidnapping, illegal restraint and hostage-taking;
 - xvii. robbery or theft;

- xviii. smuggling, including smuggling done in relation to customs and excise duties and taxes);
 - xix. tax crimes, related to direct taxes and indirect taxes;
 - xx. extortion;
 - xxi. forgery;
 - xxii. piracy; or
 - xxiii. insider trading and market manipulation or any other predicate offence as contained in section 15 of Money Laundering (Prohibition) Act, 2011 (as amended) and provisions of the Terrorism Prevention Act, 2011 (as amended).
- b. Terrorist Financing Offence**
- i. Terrorist financing offences extend to any person or entity who solicits, acquires, provides, collects, receives, possesses or makes available funds, property or other services by any means to terrorists or terrorist organizations, directly or indirectly with the intention or knowledge or having reasonable grounds to believe that such funds or property shall be used in full or in part to carry out a terrorist act by a terrorist or terrorist organization in line with section 1 of TPA 2011 (as amended).
 - ii. Terrorist financing offences are predicate offences for money laundering. They apply regardless of whether the person or entity alleged to have committed the offence is in the same country or a different country from the one in which the terrorist or terrorist organization is located or the terrorist act occurred or will occur.
- c. Targeted Financial Sanctions Related to Financing and Proliferation**
- i. A PSB shall report to NFIU any assets frozen or actions taken in compliance with the prohibition requirements of the relevant United Nations Security Council Resolutions ('UNSCRs') on terrorism, financing of proliferation of weapons of mass destruction, any future successor resolutions and the Terrorism Prevention (Freezing of International Terrorist Funds and Other Related Issues) Regulation, 2011 and any amendments that may be reflected by the competent authorities.
 - ii. The reports in sub-section (1) of this section of the framework shall include all transactions involving attempted and concluded transactions in compliance with the Money Laundering (Prohibition) Act MLPA, 2011 (as amended), Terrorism Prevention Act (TPA) 2011 (as amended) and the Terrorism Prevention (Freezing of International Terrorist Funds and Other Related Issues) Regulation 2013 and any amendments that may be reflected by the competent.
 - iii. The administrative sanctions contained in Schedule I of this framework or in the Terrorism Prevention (freezing of International Terrorist Funds and Other Related

Issues) Regulation, 2013 (as amended) shall be imposed by the CBN on institutions under its regulatory purview.

d. Limitation of Secrecy and Confidentiality Laws

- i. PSB secrecy and confidentiality laws shall not in any way, be used to inhibit the implementation of the requirements in this section of the framework and other relevant Regulations pursuant to the provisions of Section 38 of EFCC Act, 2004; 13 of MLP Act, 2011(as Amended) and Section 33 of the CBN Act, 2007.
- ii. The relevant laws cited in this sub-section (12)(1) of this section of the framework have given the relevant authorities the power required to access information to properly perform their functions in combating money laundering and financing of terrorism, the sharing of information between competent authorities, either domestically or internationally, and the sharing of information between PSBs necessary or as may be required.
- iii. Banking secrecy or preservation of customer confidentiality shall not be invoked as a ground for objecting to the measures set out in this section of the framework and other relevant Regulations or for refusing to be a witness to facts likely to constitute an offence under ML and TF laws, Regulations or any other law.

3.3 CUSTOMER DUE DILIGENCE, HIGHER RISK CUSTOMERS AND POLITICALLY EXPOSED PERSON

a. Customer Due Diligence ('CDD') measures

- 1) A PSB shall undertake Customer Due Diligence ('CDD') measures when –
 - a) business relations are established;
 - b) carrying out occasional transactions above the applicable and designated threshold of USD 1,000 or its equivalent or as may be determined by the CBN from time to time, including where the transaction is carried out in a single operation or several operations that appear to be linked;
 - c) carrying out occasional transactions that are wire transfers, including those applicable to cross-border and domestic transfers between PSBs and when credit or debit cards are used as a payment system to effect money transfer.
 - d) The measures in paragraphs (a), (b) and (c) of this regulation shall not apply to payments in respect of:
 - i. any transfer flowing from a transaction carried out using a credit or debit card so long as the credit or debit card number accompanying such transfers flow from the transactions such as withdrawals from a bank account through an ATM machine, cash advances from a credit card or payment for goods.

- ii. Inter-financial institution transfers and settlements where both the originator-person and the beneficial-person are PSBs acting on their own behalf.
 - e) there is a suspicion of money laundering or terrorist financing, regardless of any exemptions or any other thresholds referred to in this section of the framework and other relevant Regulations; or
 - f) there are doubts on the veracity or adequacy of previously obtained customer identification data.
- 2) Financial institutions, however, are not required after obtaining all the necessary documents and being so satisfied, to repeatedly perform identification and verification exercise every time a customer conducts a transaction.
- b. CDD Measures – Identification and Verification of Identity of Customers**
- 1) A PSB shall identify their customers (whether permanent or occasional; natural or legal persons; or legal arrangements) and verify the customers' identities using reliable, independently sourced documents, data or information.
 - 2) A PSB shall carry out the full range of the CDD measures contained in this framework.
 - 3) PSBs shall apply the CDD measures on a risk-sensitive basis.
 - 4) Types of customer information to be obtained and identification data to be used to verify the information are contained in Appendix A (schedule II) to this section of the framework.
 - 5) Where the customers are a legal persons or legal arrangements, the PSB shall:
 - a. identify any person purporting to have been authorized to act on behalf of that customer by obtaining evidence of the customer's identity and verifying the identity of the authorized person; and
 - b. identify and verify the legal status of the legal person or legal arrangement by obtaining proof of incorporation from the Corporate Affairs Commission ('CAC') or similar evidence of establishment or existence and any other relevant information.
- c. Verification of Beneficial Ownership**
- 1) A PSB shall identify and take reasonable steps to verify the identity of a beneficial-owner, using relevant information or data obtained from a reliable source to satisfy it that it knows who the beneficial-owner is through methods including:

- a. for legal persons:
 - i. Identifying and verifying the natural persons, where they exist, that have ultimate controlling ownership interest in a legal person, taking into cognizance the fact that ownership interests can be so diversified that they may be no natural persons (whether acting alone or together) exercising control of the legal person or arrangement through ownership;
 - ii. to the extent that it is manifestly clear under sub-paragraph (i) of this paragraph that the persons with the controlling ownership interest are the beneficial owners or where no natural person exerts control through ownership interests, identify and verify the natural persons, where they exist, exercising control of the legal person or arrangement through other means; and
 - iii. where a natural person is not identified under sub-paragraph (i) or (ii) of this paragraph, the PSB shall identify and take reasonable measures to verify the identity of the relevant natural person who holds senior management position in the legal person.
- b. for other types of legal arrangements PSBs shall identify and verify persons in equivalent or similar positions.
- 2) PSBs shall in respect of all customers, determine whether or a customer is acting on behalf of another person or not and where the customer is acting on behalf of another person, take reasonable steps to obtain sufficient identification-data and verify the identity of the other person.
- 3) A PSB shall take reasonable measures in respect of customers that are legal persons or legal arrangements to:
 - a. understand the ownership and control structure of such a customer; and
 - b. determine the natural persons that ultimately own or control the customer.
- 4) In the exercise of its responsibility under this regulation, a PSB shall take into account that natural persons include those persons who exercise ultimate or effective control over the legal person or arrangement and factors to be taken into consideration to satisfactorily perform this function include:
 - a. for companies - the natural persons shall own the controlling interests and comprise the mind and management of the company;
- 5) Where a customer or an owner of the controlling interest is a company listed on a stock exchange and subject to disclosure requirements (either by stock exchange rules or by law or other enforceable means) which impose requirements to ensure adequate transparency of beneficial ownership, or is a majority-owned subsidiary

of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of the company.

- 6) The relevant identification data referred to in the foregoing regulation may be obtained from a public register, the customer and other reliable sources, and for this purpose, ownership of 5% interest or more in a company is applicable.
- 7) A PSB shall obtain information on the purpose and intended nature of the business account of its potential customers.
- 8) A PSB shall conduct on-going due diligence on a business account.
- 9) The conduct of on-going due diligence includes scrutinizing the transactions undertaken by the customer throughout the course of the financial institution and customer account to ensure that the transactions being conducted are consistent with the financial institution's knowledge of the customer, its business, risk profiles and the source of funds.
- 10) A PSB shall ensure that documents, data or information collated under the CDD process are kept up-to-date and relevant by undertaking regular periodic reviews of existing records, particularly the records in respect of higher-risk business-accounts or customer categories.

d. Higher risk customers and activities

A PSB shall perform enhanced due diligence for higher-risk customer, business account or transaction including:

- 1) non-resident customers;
- 2) legal persons or legal arrangements; and
- 3) Politically Exposed Persons ('PEPs'),
- 4) Any other business, activities or professionals as may be prescribed by the regulatory, supervisory or competent authorities

e. Politically Exposed Person (PEP)

- 1) Politically Exposed Persons ('PEPs') are individuals who are or have been entrusted with prominent public functions in Nigeria or in foreign countries, and people or entities associated with them and include:
 - a. Heads of State or Government;
 - b. State Governors;
 - c. Local Government Chairmen;

- d. senior politicians;
 - e. senior government officials;
 - f. judicial or military officials;
 - g. senior executives of state-owned corporations;
 - h. important political party officials;
 - i. family members or close associates of PEPs; and
 - j. members of royal families.
- 2) PEPs also include persons who are or have been entrusted with a prominent function by an international organization, including members of senior management including directors, deputy directors and members of the board or equivalent functions other than middle ranking or more junior individuals.
 - 3) PSBs are required, in addition to performing CDD measures, to put in place appropriate risk management systems to determine whether a potential customer or existing customer or the beneficial owner is a PEP.
 - 4) PSBs are also required to obtain senior management approval before they establish business accounts with PEP and to render monthly returns on all transactions with PEPs to the CBN and NFIU.
 - 5) Where a customer has been accepted or has an ongoing account with a PSB and the customer or beneficial owner is subsequently found to be or becomes a PEP, the financial institution shall obtain senior management approval to continue the business account.
 - 6) A PSB shall take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs.
 - 7) A PSB in a business account with a PEP shall conduct enhanced and on-going monitoring of that account and in the event of any transaction that is abnormal, a PSB shall flag the account and report the transaction immediately to the NFIU as a suspicious transaction.
- f. New technologies and non-face-to-face transactions**
- (1) A PSB shall identify and assess the money laundering or terrorist financing risks that may arise in relation to the development of new products and new business practices (including new delivery mechanisms) and the use of new or developing technologies for both new and pre-existing products.

- (2) PSBs are to ensure that any risk assessment to be undertaken is carried out prior to the launch of the new products, business practices or the use of new or developing technologies are to be documented and appropriate measures taken to manage and mitigate such risks.
- (3) A PSB shall have policies and procedures in place to address any specific risk associated with non-face to face business accounts or transactions.
- (4) The policies and procedures required to be taken shall be applied automatically when establishing customer accounts and conducting on-going due diligence and measures for managing the risks are to include specific and effective CDD procedures that apply to non-face to face customers.

g. Money or Value Transfer (MVT) Services

- (1) All natural and legal persons performing Money or Value Transfer Service ('MVT operators') shall be subject to the provisions of this section of the framework and other relevant Regulations.
- (2) MVT Operators shall maintain a current list of their agents and quarterly returns rendered to the CBN.
- (3) In addition to the requirement specified in this regulation, MVT Operators shall gather and maintain sufficient information about their agents and correspondent operators or any other operators or institutions they are or likely to do business with.
- (4) MVT Operators shall:
 - (a) assess their agents' and correspondent operators' AML/CFT controls and ascertain that such controls are adequate and effective;
 - (b) obtain approval from the CBN before establishing new correspondent accounts; and
 - (c) document and maintain a checklist of the respective AML/CFT responsibilities of each of their agents and correspondent operators.

h. Wire Transfers

- (1) For every wire transfer of USD 1,000 or more, the ordering PSB shall obtain and maintain the following information relating to the originator of the wire transfer –
 - (a) the name of the originator;
 - (b) the originator's account number (or a unique reference number where no account number exists); and

- (c) the originator's address (which address may be substituted with a national identity number).
- (2) For every wire transfer of USD 1,000 or more, the ordering financial institution shall obtain and verify the identity of the originator in accordance with the CDD requirements contained in this section of the framework and other relevant Regulations.
- (3) For cross-border wire transfers of USD 1,000 or more, the ordering financial institution shall include the full originator information in sub-regulation (1) of this regulation in the message or the payment form accompanying the wire transfer.
- (4) Where however, several individual cross-border wire transfers of USD 1,000 or more from a single originator are bundled in a batch-file for transmission to beneficiaries in another country, the ordering financial institution should only include the originator's account number or unique identifier on each individual cross-border wire transfer, provided that the batch-file (in which the individual transfers are batched) contains full originator information that is fully traceable within the recipient country.
- (5) For every domestic wire transfer, the ordering financial institution shall -
 - (a) include the full originator information in the message or the payment form accompanying the wire transfer; or
 - (b) include only the originator's account number or a unique identifier, within the message or payment form.
- (6) The inclusion of the originator's account number or the originator's unique identifier alone should be permitted by a PSB only where the originator's full information can be made available to the beneficiary financial institution and to the appropriate authorities within three business days of receiving the request.
- (7) Each intermediary and beneficiary financial institution in the payment chain shall ensure that all of the originator's information that accompanies a wire transfer is transmitted with the transfer.
- (8) Where technical limitations prevent the full originator information accompanying a cross-border wire transfer from being transmitted with a related domestic wire transfer (during the necessary time to adapt payment systems), a record shall be kept for five years by the receiving intermediary financial institution of all the information received from the ordering financial institution.
- (9) Beneficiary PSBs shall adopt effective risk-based procedures for identifying and handling wire transfers that are not accompanied by complete originator's information.

- (10) The lack of complete originator's information is considered as a factor in assessing whether a wire transfer or related transactions are suspicious.
- (11) PSBs are accordingly required to report wire transfers with incomplete originator's information to the NFIU.
- (12) The beneficiary PSB shall restrict or even terminate its business account with the financial institution that fails to meet the standards specified in this regulation.
- (13) Cross-border and domestic transfers between PSBs are not applicable to the following types of payments:
 - (a) any transfer that flows from a transaction carried out using a credit or debit card so long as the credit or debit card number accompanies all transfers flowing from the transaction, such as withdrawals from a bank account through an ATM machine, cash advances from a credit card or payments for goods and services provide that where credit or debit cards are used as a payment system to effect a money transfer the necessary information should be included in the message; and
 - (b) transfers and settlements between PSBs where both the originator person and the beneficiary person are PSBs acting on their own behalf.

3.4 LOWER RISK CUSTOMERS, PERIOD OF VERIFICATION AND RELIANCE ON INTERMEDIARIES

- a. **Simplified Due Diligence Applicable to Lower risk customers, transactions or products**
 - (1) Where there are low risks, PSBs shall apply reduced or simplified measures.
 - (2) There are low risks in circumstances where:
 - (a) the risk of money laundering or terrorist financing is lower;
 - (b) information on the identity of the customer and the beneficial owner of a customer is publicly available; or
 - (c) adequate checks and controls exist elsewhere in the national systems.
 - (3) In circumstances of low-risk, PSBs shall apply the simplified or reduced CDD measures when identifying and verifying the identity of their customers and the beneficial-owners.
 - (4) The circumstances which the simplified or reduced CDD measures referred to in sub-section (3) of this section of the framework are applicable include in cases of:
 - (a) Financial institutions—provided they are subject to the requirements for the combat of money laundering and terrorist financing which are consistent with the

provisions of this section of the framework and the relevant AML/CFT Regulations and are supervised for compliance with them;

- (b) Public companies (listed on a stock exchange or similar situations) that are subject to regulatory disclosure requirements;
 - (c) Government ministries and parastatals; and
 - (d) Beneficial-owners of pooled-accounts held by Designated Non-Financial Businesses and Professions ("DNFBPs") provided that they are subject to the requirements for combating money laundering and terrorist financing consistent with the provisions of the Money Laundering (Prohibition) Act and designations made by the Minister of Trade and Investment
 - (5) PSBs that apply simplified or reduced CDD measures to customers that are resident abroad shall limit the application of the measures to customers in countries that have effectively implemented the FATF Recommendations.
 - (6) PSBs shall not apply the simplify CDD measures to a customer where there is suspicion of money laundering or terrorist financing or specific higher risk scenarios and in such a circumstance, enhanced due diligence is mandatory.
 - (7) PSBs shall adopt CDD measures on a risk sensitive-basis and have regard to risk involved in the type of customer, product, transaction or the location of the customer and where there is doubt, they are directed to clarify with the CBN.
 - (8) Without prejudice to the above functions, PSBs shall consider the principles of consumer protection and data confidentiality as spelt out by the Consumer Protection Department of the CBN and Federal Competition and Consumer Protection Commission (FCCPC)
- b. Timing of verification**
- (1) A PSB shall obtain and verify the identity of the customer, beneficial-owner and occasional customers following the establishment of the business account or conducting transactions for them.
 - (2) PSBs are permitted to complete the verification of the identity of the customer and beneficial owner following the establishment of the business account, only where:
 - (a) this can take place as soon as reasonably practicable;
 - (b) it is essential not to interrupt the normal business conduct of the customer in cases of non-face-to-face business and others; or
 - (c) the money laundering risks can be effectively managed.

- (3) Where a customer is permitted to utilize the business account prior to verification, PSBs shall adopt risk management procedures relevant to the conditions under which this may occur.
- (4) The procedures contemplated under sub-section (4) of this section of the framework include a set of measures such as:
 - (a) limitation of the number, types or amount of transactions that can be performed; and
 - (b) the monitoring of large or complex transactions being carried out outside the expected norms for that type of account.
- c. **Failure to complete CDD**
 - (1) A PSB that fails to comply with the CDD measures pursuant to these sections of the framework and other relevant Regulations shall –
 - (a) not be permitted to open the account, commence business relations or perform the transaction; and
 - (b) be required to render a Suspicious Transaction Report to the NFIU.
 - (2) The PSB that has commenced the business account shall terminate the business account and render Suspicious Transaction Report to the NFIU.
 - (3) Where, a PSB suspects that transactions relate to money laundering or terrorist financing, during the establishment or course of the customer account, or when conducting occasional transactions, it shall immediately –
 - (a) obtain and verify the identity of the customer and the beneficial owner, whether permanent or occasional, irrespective of any exemption or any designated threshold that might otherwise apply; and
 - (b) render a suspicious transaction report ('STR') to the NFIU without delay.
 - (4) Where a PSB suspects that a transaction relates to money laundering or terrorist financing and it believes that performing the CDD process shall tip-off the customer, it shall –
 - (a) not pursue the CDD process, and
 - (b) file an STR to the NFIU.
 - (5) A PSB shall ensure that their employees are aware of, and sensitive to the issues mentioned under this section of the framework.

- (6) When assessing risk, the PSB shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level of mitigation to be applied.
 - (7) PSBs are allowed to differentiate the extent of measures, depending on the type and level of risk for the various risk factors and in a particular situation they may –
 - (a) apply the normal CDD for customer acceptance measures;
 - (b) enhanced CDD for on-going monitoring; or
 - (c) apply any of the procedures as may be considered appropriate in the circumstance.
- d. Existing Customers**
- (1) A PSB shall apply CDD requirements to existing customers on the basis of materiality and risk and continue to conduct due diligence on such existing accounts at appropriate times.
 - (2) The appropriate time to conduct CDD by PSBs is when:
 - (a) a transaction of significant value takes place;
 - (b) a customer documentation standard change substantially;
 - (c) there is a material change in the way that the account is operated; or
 - (d) the institution becomes aware that it lacks sufficient information about an existing customer.
 - (3) A PSB shall properly identify the customer in accordance with the criteria contained in this section of the framework and other relevant Regulations and the customer identification records shall be made available to the AML/CFT compliance officer, other appropriate staff and competent authorities.
- e. Reliance on intermediaries and third parties on CDD function**
- (1) A PSB that relies upon a third party to conduct its CDD shall:
 - i. immediately obtain the necessary information concerning the property which has been laundered or which constitutes proceeds from instrumentalities used in or intended for use in the commission of money laundering and financing of terrorism or other relevant offences; and
 - ii. satisfy itself that copies of identification data and other relevant documentation relating to the CDD requirements shall be made available from the third party upon request without delay.

- (2) The PSB shall satisfy itself that a third party is a regulated and supervised institution and that it has measures in place to comply with requirements of CDD, reliance on intermediaries and other third parties on CDD as contained in this section of the framework and other relevant Regulations.
- (3) PSBs relying on intermediaries or other third parties who have no outsourcing, agency, business accounts, accounts or transactions with it for their clients shall perform some of the elements of the CDD process on the introduced business.
- (4) The criteria to be met in carrying the elements of the CDD process by the PSB referred to in sub-section (3) of this section of the framework are to -
 - i. immediately obtain from the third party the necessary information concerning certain elements of the CDD process;
 - ii. take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to CDD requirements shall be made available from the third party upon request without delay;
 - iii. satisfy themselves that the third party is regulated and supervised in accordance with Core Principles of AML/CFT and has measures in place to comply with the CDD requirements set out in this section of the framework and other relevant Regulations; and
 - iv. ensure that adequate KYC provisions are applied to the third party in order to obtain account information for competent authorities.
- (5) Notwithstanding the conditions specified in this regulation the ultimate responsibility for customer identification and verification shall be with the PSB relying on the third party.

3.5 MAINTENANCE OF RECORDS, MONITORING, INTERNAL CONTROLS, PROHIBITIONS AND SANCTIONS

a. Maintenance of records on transactions

- (1) A PSB shall maintain all necessary records of transactions, both domestic and international for at least five years after completion of the transaction or such longer period may be required by the CBN and NFIU provided that this requirement shall apply regardless of whether the account or business account is on-going or has been terminated.
- (2) The components of records of transaction to be maintained by PSBs include the –
 - i. records of customer's and beneficiary's names, addresses or other identifying information normally recorded by the intermediary;

- ii. nature and date of the transaction;
 - iii. type and amount of currency involved; and
 - iv. type and identifying number of any account involved in the transaction.
- (3) PSBs shall maintain records of the identification data, account files and business correspondence for at least five years after the termination of an account or business account or such longer period as may be required by the CBN and NFIU.
- (4) A PSB shall ensure that all customer-transaction records and information are available on a timely basis to the CBN and NFIU.
- (5) Without prejudice to the above, PSBs shall consider the principles of consumer protection and data confidentiality as spelt out by the Consumer Protection Department of the CBN and Federal Competition and Consumer Protection Commission (FCCPC)
- b. Attention on complex and unusual large transactions**
- (1) A PSB shall pay special attention to all complex, unusually large transactions or unusual patterns of transactions that have no visible economic or lawful purpose.
- (2) For the purpose of sub-section (1) of this section of the framework, 'complex or unusually large transaction or, 'unusual pattern of transactions' include significant transactions relating to an account transaction that exceed certain limits, very high account turnover inconsistent with the size of the balance or transactions which fall outside the regular pattern of the account's activity.
- (3) A PSB shall investigate suspicious transactions and report their findings to the NFIU immediately, in compliance with the provision of section 6(2)(c) of Money Laundering (Prohibition) Act, 2011 (as amended).
- c. Suspicious transaction monitoring**
- (1) Where a transaction -
- i. involves a frequency which is unjustifiable or unreasonable;
 - ii. is surrounded by conditions of unusual or unjustified complexity;
 - iii. appears to have no economic justification or lawful objective; or
 - iv. in the opinion of the PSB involves terrorist financing or is inconsistent with the known transaction pattern of the account or business account;

that transaction shall be deemed to be suspicious and the PSB shall seek information from the customer as to the origin and destination of the fund, the aim of the transaction and the identity of the beneficiary.

(2) Where a PSB suspects that the funds mentioned under sub-section (1) of this section of the framework:

- i. are derived from legal or illegal sources but are intended to be used for an act of terrorism;
- ii. are proceeds of a crime related to terrorist financing; or
- iii. belong to a person, entity or organization considered as terrorists,

it shall immediately and without delay report the matter to the NFIU and shall not be liable for violation of the confidentiality rules and banking secrecy obligations for any lawful action taken in furtherance of this obligation.

(3) A PSB shall immediately and without delay but not later than within 24 hours in the case of the circumstances mentioned in sub-section (1) and (2) of this section of the framework -

- i. draw up a written report containing all relevant information on the transaction, together with the identity of the principal and where applicable of the beneficiary or beneficiaries;
- ii. take appropriate action to prevent the laundering of the proceeds of a crime, an illegal act or financing of terrorism; and
- iii. report to the NFIU any suspicious transaction, stating clearly the reasons for the suspicion and actions taken.

(4) The obligation on PSBs provided for in this framework shall apply whether the transaction is completed or not.

(5) A PSB that fails to comply with the provisions of:

- i. sub-section (1) of this section of the framework is liable to a fine of N1, 000,000 for each day the offence subsists; or
- ii. sub-section (2) of this section of the framework is liable to sanction as stipulated under the TPA, 2011 (as amended).

(6) Any person who being a director or employee of a PSB warns or in any other way intimates the owner of the funds involved in a suspicious transaction report, or who refrains from making the report as required, is liable to on conviction to a time of not less than N10,000,000 or banned indefinitely or for a period of 5 years from practicing his profession.

- (7) The directors, officers and employees of PSBs who carry out their duties in good faith shall not be liable to any civil or criminal liability or have any criminal or civil proceedings brought against them by their customers.

d. Compliance monitoring and response to suspicious transactions

- (1) A PSB shall have a written Policy Framework that guides and enables its staff to monitor, recognize and respond appropriately to suspicious transactions in addition to the list of Money Laundering "Red Flags" provided for in **Appendix C** to this section of the framework and other relevant Regulations.
- (2) Every PSB shall appropriately designate an officer as the AML/CFT Compliance Officer to supervise the monitoring and reporting of terrorist financing and suspicious transactions, among other duties.
- (3) PSBs shall be alert to the various patterns of conduct that are known to be suggestive of money laundering, maintain and disseminate a checklist of such transactions to the relevant staff.
- (4) When any staff of a PSB detects any "red flag" or suspicious money laundering activity, the institution shall promptly institute a "Review Panel" under the supervision of the AML/CFT Compliance Officer and every action taken shall be recorded.
- (5) A PSB and its staff shall maintain confidentiality in respect of any investigation conducted in pursuance of this section of the framework and other relevant Regulations and any suspicious transaction report that may be filed with the NFIU consistent with the provision of the Money Laundering (Prohibition) Act, 2011 (as amended) and shall not say anything that might tip off someone else that he is under suspicion of money laundering.
- (6) A PSB that suspects or has reason to suspect that funds are the proceeds of a criminal activity or are related to terrorist financing shall promptly report its suspicions to the NFIU.
- (7) All suspicious transactions, including attempted transactions are to be reported regardless of the amount involved.
- (8) The requirement to report suspicious transactions applies regardless of whether they are considered to involve tax matters or other matters.
- (9) PSBs, their directors, officers and employees whether permanent or temporary, are prohibited from disclosing the fact that a report of a transaction shall be filed with the competent authorities.

e. Internal controls, compliance and audit

- (1) A PSB shall establish and maintain internal procedures, policies and controls to prevent money laundering and financing of terrorism and to communicate these to their employees.
- (2) The procedures, policies and controls established by financial institution shall cover operational matters including the CDD, record retention, the detection of unusual and suspicious transactions and the reporting obligation.
- (3) The AML/CFT compliance officer and appropriate staff are to have timely access to customer identification data, CDD information, transaction records and other relevant information.
- (4) PSBs are accordingly required to develop programs against money laundering and terrorist financing, such as –
 - (a) the development of internal policies, procedures and controls, including appropriate compliance management arrangement and adequate screening procedures to ensure high standards when hiring employees;
 - (b) an on-going employee training programs to ensure that employees are kept informed of new developments, including information on current ML and FT techniques, methods and trends;
 - (c) providing clear explanation of all aspects of AML/CFT laws and obligations, and requirements concerning CDD and suspicious transaction reporting; and
 - (d) adequately resourced and independent audit function to test compliance with the procedures, policies and controls.
- (5) A PSB shall put in place a structure that ensures the operational independence of the Chief Compliance Officer ('CCO')

f. Sanctions

- 1) Any individual, being an official of a PSB, who fails to take reasonable steps to ensure compliance with the provisions of this section of the framework and other relevant Regulations shall be sanctioned accordingly based on the extant administrative sanction regime issued or directed by the Attorney-General of the Federation.
- 2) A PSB, its officers or employees shall not benefit from any violation of extant AML/CFT laws and Regulation.
- 3) Criminal cases shall be referred to the Economic and Financial Crimes Commission ('EFCC') or other law enforcement agencies for prosecution and the

offender liable to forfeit any pecuniary benefit obtained as a result of the violation or breach.

- 4) Incidence of false declaration, false disclosure, non-declaration or non-disclosure of returns to be rendered under this section of the framework and other relevant Regulations by a PSB or its officers shall be subject to administrative review and sanctions as stipulated in these or other Regulations and the appropriate administrative or civil penalties applied.

g. Prohibition of numbered or anonymous accounts, accounts in fictitious names and shell banks

- (1) Notwithstanding the provisions of section 11.3 of the Guidelines for licensing and regulation of Payment Service Banks in Nigeria and Section 44.2 of this Framework, a PSB shall not keep anonymous accounts or accounts in fictitious names;

- (2) A PSB, corporate body or any individual that contravenes the provisions of this section of the framework and other relevant Regulations is liable to a fine of not less than N10,000,000 and in addition to:

- i. the prosecution of the principal officers of the corporate body, and
- ii. the winding up and prohibition of its re-constitution or incorporation under any form or guise.

h. Other forms of reporting

- (1) A PSB shall report in writing any single transaction, lodgment or transfer of funds in excess of N5,000,000 and N10,000,000 or their equivalent made by an individual and corporate body respectively to the NFIU in accordance with section 10(1) of the MLPA, 2011 (as amended).

- (2) In compliance with section 2(1) of the MLPA, 2011(as amended) PSBs shall render reports in writing on transfers to or from a foreign country of funds or securities by a person or body corporate including a Money Service Business of a sum exceeding US\$10,000 or its equivalent to Central Bank of Nigeria (CBN) and the NFIU within 7 days from the date of the transaction.

- (3) In compliance with the Terrorism (Prevention) Act (TPA) 2011 (as amended), PSBs are also required to, within a period of not more than 24 hours, forward to the NFIU, reports of suspicious transactions relating to:

- i. fund derived from illegal or legal sources are intended to be used for any act of terrorism; or
- ii. proceeds of a crime related to terrorism financing; or

- iii. proceeds belonging to a terrorist, terrorist entity or organization.
 - (4) A PSB shall not be statutorily liable for violation of confidentiality rules for every lawful action taken in furtherance of its obligations under this section of the framework and other relevant Regulations.
 - (5) Details of a report sent by the PSB to the appropriate authority shall not be disclosed by the institution or any of its officers to any other person.
- i. **Attention for High Risk Countries**
 - (1) A PSB shall give special attention to business accounts and transactions with persons, including legal persons and other financial institutions, from countries which do not or insufficiently apply the FATF recommendations.
 - (2) A PSB shall report transactions that have no apparent economic or visible lawful purpose to competent authorities with the background and purpose of such transactions as far as possible, examined and written findings made available to assist competent authorities.
- j. **AML/CFT employee-education and training programme**
 - (1) A PSB shall design comprehensive employee education and training programs, to make employees fully aware of their obligations and also to equip them with relevant skills required for the effective discharge of their AML/CFT tasks.
 - (2) The timing, coverage and content of the employee training program shall be tailored to meet the needs of the PSB to ensure compliance with the requirements and provisions of this section of the framework and other relevant Regulations.
 - (3) A PSB shall provide comprehensive training programs for staff covering compliance officers and as part of the orientation program for new staff and those posted to the front office, operations, account opening, mandate, and marketing/customer service/call center staff, internal control and audit staff and managers.
 - (4) A PSB shall render quarterly returns on their level of compliance on their education and training programmes to the CBN and NFIU.
 - (5) An employee training program shall be developed under the guidance of the AML/CFT Compliance Officer in collaboration with the top Management.
 - (6) The basic elements of the employee training program of PSBs shall include:
 - i. AML regulations and offences;
 - ii. the nature of money laundering;

- iii. money laundering 'red flags' and suspicious transactions, including trade-based money laundering typologies;
- iv. reporting requirements;
- v. customer due diligence;
- vi. risk-based approach to AML/CFT; and
- vii. record keeping and retention policy.

(7) A PSB shall submit their annual AML/CFT Employee training program for the following year to the CBN and NFIU not later than the 31st of December of the current year.

k. Monitoring of employee conduct

- (1) A PSB shall monitor their employees' accounts for potential signs of money laundering.
- (2) A PSB shall subject employees' accounts/wallets to the same AML/CFT procedures as applicable to other customers' accounts/wallets.
- (3) The requirement specified in sub-section (2) of this section of the framework shall be performed under the supervision of the AML/CFT Chief Compliance Officer and the account of this officer is in turn to be reviewed by the Chief Internal Auditor or a person of adequate and similar seniority.
- (4) Compliance reports including findings shall be rendered to the CBN and NFIU at the end of June and December of every year.
- (5) The AML/CFT performance review of staff shall be part of employees' annual performance appraisals.

l. Protection of Staff Who Report Violations

- (1) A PSB shall make it possible for employees to report any violations of the institution's AML/CFT compliance program to the AML/CFT Compliance Officer.
- (2) A PSB shall direct their employees in writing to always co-operate fully with the Regulators and law enforcement agents and to promptly report suspicious transactions to the NFIU.
- (3) Where the violations involve the Chief Compliance Officer, employees shall report the violations to a designated higher authority such as the Chief Internal Auditor, the Managing Director or in confidence to the CBN or to the NFIU.

- (4) A PSB shall inform their employees in writing to make their reports confidential and to assure employees of protection from victimization as a result of making any report.
- m. Additional areas of AML/CFT risks**
- (1) A PSB shall review, identify and record other areas of potential money laundering risks not covered by this section of the framework and other relevant Regulations and report the risk quarterly to the CBN and NFIU.
- (2) A PSB shall review their AML/CFT frameworks from time to time with a view to determining their adequacy and identifying other areas of potential risks not covered by the AML/CFT Regulations.
- n. Additional procedures and mitigants**
- After carrying out the review of the AML/CFT framework and identified new areas of potential money laundering vulnerabilities and risks, the PSB shall design additional procedures and mitigants as contingency plan in their AML/CFT Operational Manuals with indication on how such potential risks shall be appropriately managed where they crystallize and details of the contingency plan rendered to the CBN and NFIU on the 31st December every financial year.
- o. Testing for the adequacy of the AML/CFT compliance**
- (1) A PSB shall make a policy commitment and to subject their AML/CFT Compliance Program to independent-testing or require their internal audit function to determine the adequacy, completeness and effectiveness of the program.
- (2) Report of compliance by a PSB shall be rendered to the CBN and NFIU by 31st December every financial year and any identified weaknesses or inadequacies promptly addressed by the PSB.
- p. Formal Board approval of the AML/CFT compliance**
- (1) The ultimate responsibility for AML/CFT compliance is placed on the Board or top Management of every licensed PSB in Nigeria.
- (2) The board of a PSB shall ensure that a comprehensive operational AML/CFT Policy and Procedure is formulated annually by Management and presented to the Board for consideration and formal approval.
- (3) Copies of the approved Policy and Procedure referred to in sub-section (2) of this section of the framework are to be forwarded to the CBN and NFIU within six months of the release of this framework.

- (4) Quarterly reports on the AML/CFT-compliance status of a PSB are to be presented to the board for its information and necessary action.
- (5) PSBs shall submit to the Director, Payments System Management Department CBN, not later than seven (7) days after the end of each quarter, returns on their compliance with AML/CFT provisions.

r. Culture of compliance

Every PSB shall have a comprehensive AML/CFT- compliance programme to guide its efforts and to ensure the diligent implementation of its programme, to entrench in the institution a culture of compliance to minimize the risks of being used to launder the proceeds of crime and also to provide protection against fraud, reputational and financial risks.

3.6 GUIDANCE ON KNOW YOUR CUSTOMER (KYC)

a. Three Tiered KYC Requirements.

- (1) To further deepen financial inclusion, a three tiered KYC standard shall be utilized to ensure application of flexible account opening requirements for low-value and medium value accounts which shall be subject to caps and restrictions as the amounts of transactions increase where the account opening requirements shall increase progressively with less restrictions on operations stated in this regulation.
- (2) Tier one for which:
 - (a) basic customer information required to be provided are:
 - (i) passport photograph;
 - (ii) name, place and date of birth;
 - (iii) gender, address, telephone number etc.;
 - (b) information in paragraph (a) of this sub-section may be sent electronically or submitted onsite in bank's branches or agent's office;
 - (c) evidence of information provided by a customer or verification of same is not required;
 - (d) the accounts shall be closely monitored by the PSB;
 - (e) the accounts may be opened at branches of the PSBs by the prospective customer or through banking agents
 - (f) no amount is required for opening of accounts;

- (g) such accounts may cover Mobile Banking products, issued in accordance with the CBN Regulatory Framework for Mobile Payments Service in Nigeria;
 - (h) deposits may be made by account holder and 3rd parties while withdrawal is restricted to account holder only;
 - (i) may be linked to mobile phone accounts;
 - (j) operation is valid only in Nigeria;
 - (k) limited ATM transactions are allowed
 - (l) a maximum single deposit amount is limited to N50,000 and maximum cumulative balance of N300,000 at any point in time
 - (m) international funds transfer is prohibited; and
 - (n) accounts are strictly savings;
- (3) Tier two for which—
- i. evidence of basic customer information such as passport photograph, name, place and date of birth, gender and address is required;
 - ii. items in paragraph (a) of this section of the framework may be forwarded electronically or submitted on-site in banks' branches or agents' offices;
 - iii. customer information obtained shall be against similar information contained in the official data-bases such as National Identity Management Commission (NIMC), Independent National Electoral Commission (INEC) Voters Register, Federal Road Safety Commission (FSRC) among others;
 - iv. accounts may be opened face to face at any branch of a bank by agents for enterprises used for mass payroll or by the account holder;
 - v. evidence of basic customer information is required at this level and identification, verification and monitoring by PSBs are also required;
 - vi. accounts may be contracted by phone or at the institution's website;
 - vii. accounts may be linked to a mobile phone;
 - viii. may be used for funds transfers within Nigeria only;
 - ix. no amount is required for opening of the accounts;
 - x. such accounts cover Mobile Banking products (issued in accordance with the CBN Regulatory Framework for Mobile Payments Services in

Nigeria);

- xi. maximum single deposit of ₦200,000 and a maximum cumulative balance of ₦500,000 are allowed at any time; and
- xii. withdrawal shall be denied where cross-checking of client's identification information is not completed at the point of account opening.

(4) Tier three for which—

- (i.) a PSB shall obtain, verify and maintain copies of all the required documents for opening of accounts in compliance with the KYC requirements contained in this framework;
- (ii.) no amount is required for opening of the accounts;
- (iii.) maximum single deposit of ₦5,000,000 and there is no limit on cumulative balance and
- (iv.) KYC requirements shall apply.

b. Duty to Obtain Identification Evidence

- i. PSBs shall not establish a business account until relevant parties to the account have been identified, verified, and the nature of the business they intend to conduct ascertained.
- ii. Where an on-going business account is established, any activity that is not consistent to the business account shall be examined to determine whether or not there are elements of money laundering, terrorist financing or any suspicion activities.
- iii. The first requirement of knowing your customer for money laundering and terrorist financing purposes, is for the financial institution to be satisfied that a prospective customer is who he claims to be.
- iv. PSBs shall not engage any financial business or provide advice to a customer or potential customer unless the PSBs are certain as to who that person actually is.
- v. PSBs shall obtain evidence of identification of their customers.
- vi. A PSB shall identify all relevant parties to the account from the outset in accordance with general principles of obtaining satisfactory identification evidence set out in this section of the framework and other relevant Regulations.

c. Nature and Level of the Business

- (1) A PSB shall obtain sufficient information on the nature of the business that their customer intends to undertake, including expected or predictable pattern of transactions.
- (2) The information collated at the outset for this purpose should include:
 - i. purpose for opening the account or establishing the account;
 - ii. nature of the activity that is to be undertaken;
 - iii. expected origin of the funds to be used during the account; and
 - iv. details of occupation, employment or business activities and sources of wealth or income.
- (3) A PSB shall take reasonable steps to keep the information up-to-date as the opportunities arise including where an existing customer opens a new account.
- (4) Any information obtained during any meeting, discussion or other communication with the customer shall be recorded and kept in the customer's file to ensure, as far as practicable, that current customer information is readily accessible to the Anti-Money Laundering Compliance Officers ('MLCOs') or relevant regulatory bodies.

d. Application of commercial judgment

- (1) A PSB shall take a risk-based approach to 'Know Your Customer ('KYC') requirements.
- (2) PSBs are also required to decide on the number of times to verify the customers' records during the account, the identification evidence required and when additional checks are necessary, and its decisions shall be recorded.
- (3) For private company or partnership, focus should be on the identification of the principal owners or controllers whose identities shall also be verified.
- (4) The identification evidence collected at the outset of a business should be viewed against the inherent risks in the business or service.

e. Identification

- (1) The customer identification process shall subsist throughout the duration of the business account.

- (2) The process of confirming and updating identity and address, and the extent of obtaining additional KYC information collected may differ from one type of PSB to another.
- (3) The general principles for establishing the identity of legal and natural persons and the guidance on obtaining satisfactory identification evidence set out in this section of the framework and other relevant Regulations are not exhaustive.

f. Factors to consider in identification

- (1) In determining a customer's identity under this section of the framework the following shall be considered-
 - a) the names used,
 - b) date of birth and
 - c) the residential address at which the customer can be located.
 - d) In the case of a natural person, the date of birth shall be obtained as an important identifier in support of the name and there shall be no obligation to verify the date of birth provided by the customer.
 - e) Where an international passport or national identity card is taken as evidence of identity, the number, date and place or country of issue (as well as expiring date in the case of international passport) shall be recorded.

g. Time for verification of identity.

- (1) The identity of a customer shall be verified whenever a business account is to be established, on account opening or during one-off transaction or when a series of linked transactions takes place.
- (2) In this section of the framework, "transaction" include the giving of advice and "advice" under this section of the framework shall not apply where information is provided about the availability of products or services and when a first interview or discussion prior to establishing an account takes place.
- (3) Where the identification procedures have been completed and the business account established, as long as contact or activity is maintained and records concerning that complete and kept, no further evidence of identity shall be undertaken when another transaction or activity is subsequently undertaken.

h. Verification of identity

- (1) PSBs shall obtain sufficient evidence of the client's identity to ascertain that the client is the person he claims to be.

(2) Where a person is acting on behalf of another, the obligation is to obtain sufficient evidence of identities of the two persons involved.

i. Exceptions

(1) There is no obligation to look beyond the client where –

- (a) the client is acting on its own account (rather than for a specific client or group of clients);
- (b) the client is a bank, broker, fund manager or other regulated financial institutions; and
- (c) all the businesses are to be undertaken in the name of a regulated financial institution.

j. Identification of directors and other signatories

A PSB shall take appropriate steps to identify directors and all the signatories to an account.

k. Joint Account holders

Identification evidence shall be obtained for all applicants for a joint account.

l. Verification of identity for high risk business

For higher risk business undertaken for private companies including those not listed on the stock exchange, sufficient evidence of identity and address shall be verified in respect of –

- i. the principal underlying beneficial owner(s) of the company with 5% interest and above; and
- ii. those with principal control over the company's assets (e.g. principal controllers/directors).

m. Duty to keep watch of significant changes in nature of business

A PSB shall –

- i. be alert to circumstances that might indicate any significant changes in the nature of the business or its ownership and make enquiries accordingly; and
- ii. to observe the additional provisions for High Risk Categories of Customers under AML/CFT Directive in this section of the framework and other relevant Regulations.

n. Savings schemes and investments in third parties' names

Where an investor sets up a savings accounts or a regular savings scheme whereby the funds are supplied by one person for investment in the name of another (such as in the case of a spouse or a child), the person who funds the subscription or makes deposits into the savings scheme is for all and purpose, the applicant for the business and such person identification evidence shall be obtained in addition to the part of the legal owner.

o. Timing of identification requirements

- (1) An acceptable time-span for obtaining satisfactory evidence of identity is determined by the nature of the business, the geographical location of the parties and the possibility of obtaining the evidence before commitments are entered into or actual monies given or received.
- (2) Any business conducted before satisfactory evidence of identity has been obtained shall only be in exceptional cases and under circumstances that can be justified with regard to the risk and in such a case, financial institution shall –
 - (a) obtain identification evidence as soon as reasonably practicable after it has contact with a client with a view to agreeing with the client to carry out an initial transaction or reaching an understanding (whether binding or not) with the client that it may carry out future transactions; and
 - (b) where the client does not supply the required information as stipulated in paragraph (a) of this section of the framework, the PSB shall discontinue any activity it is conducting for the client and bring to an end any understanding reached with the client.
- (3) A PSB shall also observe the provision in the Timing of Verification under the AML/CFT Directive of this framework.
- (4) A PSB may however start processing the business or application immediately, provided that it promptly takes appropriate steps to obtain identification evidence ; and does not transfer or pay any money out to a third party until the identification requirements have been satisfied.

p. Consequence of failure to provide satisfactory identification evidence

- (1).The failure or refusal by an applicant to provide satisfactory identification evidence within a reasonable timeframe without adequate explanation may lead to a suspicion that the depositor or investor is engaged in money laundering.
- (2).A PSB under this situation shall immediately make a Suspicious Transaction Report to the NFIU based on the information in its possession before the funds involved are returned to the potential client or original source of the funds.

- (3) A PSB shall have in place written and consistent policies closing an account or unwinding a transaction where satisfactory evidence of identity cannot be obtained.
- (4) PSBs are also required to respond promptly to inquiries made by competent authorities on the identity of their customers.

q. Identification Procedures

- (1) A PSB shall ensure that it is dealing with a real person or organization (natural, corporate or legal) by obtaining sufficient identification evidence.
- (2) Where reliance is being placed on a third party to identify or verify the identity of an applicant, the overall responsibility for obtaining satisfactory identification evidence rests with the account holding financial institution.
- (3) In all cases, it is mandatory to obtain satisfactory evidence that a person of that name lives at the given address and that the applicant is that person or that the company has identifiable owners and that its representatives can be located at the address provided.
- (4) The identification process should be cumulative as no single form of identification can be fully guaranteed as genuine or representing correct identity.
- (5) The procedures adopted to verify the identity of private individuals (whether or not identification was done face-to-face or remotely) shall be stated in the customer's file and the reasonable steps taken to avoid single, multiple fictitious applications or substitution (impersonation) fraud shall be stated also by the financial institution.

r. New Business for Existing Customers

- (1) Where an existing customer closes one account and opens another or enters into a new agreement to purchase products or services, it shall not be necessary to verify the identity or address for such a customer unless the name or the address provided does not tally with the information in the PSB's records, provided that procedures are put in place to guard against impersonation or fraud.
- (2) The opportunity of opening the new account in sub-section (1) of this regulation shall be utilized to ask the customer to confirm the relevant details and to provide any missing KYC information. This is particularly important where:
 - (a) there was an existing business account with the customer and identification evidence had not previously been obtained; or
 - (b) there had been no recent contact or correspondence with the customer within the past three months; or

(c) a previously dormant account is re-activated.

(3) In the circumstances in sub-section (2) of this section of the framework, details of the previous account and any identification evidence previously obtained or any introduction records shall be linked to the new account-records and retained for the prescribed period in accordance with the provision of this section of the framework and other relevant Regulations.

s. Certification of Identification Documents

(1) Where there is no face-to-face contact with a customer and documentary evidence is required, certified true copies by a lawyer, notary public or court of competent jurisdiction, banker, senior public servant or their equivalent in the private sector shall be obtained provided that the person undertaking the certification is known and capable of being contacted, where necessary.

(2) In the case of a foreign national, a copy of international passport, national identity card or documentary evidence of his address shall be certified by:

- i. the embassy, consulate or high commission of the country of issue;
- ii. a senior official within the account opening institution; or
- iii. a lawyer or notary public.

(3) Certified true copies of identification evidence are to be stamped, dated and signed "original sighted by me" by a senior officer of the PSB.

(5) A PSB shall always ensure that a good production of the photographic evidence of identity is obtained provided that where this is not possible, a copy of evidence certified as providing a good likeness of the applicant is acceptable in the interim.

t. Recording Identification Evidence.

(1) Records of the supporting evidence and methods used to verify identity shall be retained for a minimum period of five years after the account is closed or the business account ended.

(2) Where the supporting evidence could not be copied at the time it was presented, the reference numbers and other relevant details of the identification evidence shall be recorded to enable the documents to be obtained later.

(3) Confirmation of evidence in sub-section (2) of this section of the framework, shall be sufficient provided that the original documents were seen by certifying either on the photocopies or on the record that the details were taken down as evidence.

- (4) Where checks are made electronically, a record of the actual information obtained or where it can be re-obtained shall be retained as part of the identification evidence.

u. Additional verification requirements

- (1) Where payment is to be made from an account held in a customer's name or jointly with one or more other persons, at a regulated financial institution, no further evidence of identity shall be necessary.
- (2) Additional verification requirements for electronic transactions shall apply to the following:
 - (a) products or accounts where funds may be transferred to other types of products or accounts which provide cheque or money transfer facilities;
 - (b) situations where funds may be repaid or transferred to a person other than the original customer; and
 - (c) investments where the characteristics of the product or account may change subsequently to enable payment to be made to third parties.
- (3) In respect of direct debits, it shall not be assumed that the account-holding bank or institution may carry out any form of validation of the account name and number or that the mandate shall be rejected where they do not match.
- (4) Where payment for the product is to be made by direct debit or debit card or notes, and the applicant's account details have not previously been verified through sighting of a bank statement or cheque drawn on the account, repayment proceeds shall only be returned to the account from which the debits were drawn.

v. Term Deposit Account ('TDA').

Term Deposit Accounts ('TDA') can be broadly classified as a one-off transaction provided that a PSB shall note that concession is not available for TDAs opened with cash where there is no audit trail of the source of funds or where payments to or from third parties are allowed into the account. The identity verification requirements will therefore differ depending on the nature and terms of the TDA.

w. Investment Funds

In circumstances where the balance in an investment fund account is transferred from one funds manager to another and the value at that time is above \$1,000 or its equivalent and identification evidence has neither been taken nor confirmation obtained from the original fund manager, such evidence shall be obtained at the time of the transfer.

x. Establishing Identity

Establishing identity under this section of the framework and other relevant Regulations is divided into three broad categories:

- (a) private individual customers;
- (b) quasi corporate customers; and
- (c) pure corporate customers.

GENERAL INFORMATION

3.7 Private Individuals - General Information

- (1) The following information shall be established and independently validated for all private individuals whose identities need to be verified –
 - (a) the full name used; and
 - (b) the permanent home address, including landmarks and postcode, where available.
- (2) The information obtained shall provide satisfaction that a person of that name exists at the address given and that the applicant is that same person. The date of birth shall be obtained as required by the law enforcement agencies, provided that the information need not be verified and the residence or nationality of a customer is ascertained to assist risk assessment procedures.
- (3) A risk-based approach shall be adopted when obtaining satisfactory evidence of identity.
- (4) The extent and number of checks may vary depending on the perceived risk of the service or business sought and whether the application is made in person or through a remote medium such as telephone, post or the internet.
- (5) The source of funds of how the payment was made, from where and by whom shall always be recorded to provide an audit trail, provided that for high risk products, accounts or customers, additional steps shall be taken to ascertain the source of wealth or funds.
- (6) For low-risk accounts or simple investment products such as deposit or savings accounts or automated money transmission facilities, the PSB shall satisfy itself as to the identity.

a. Private Individuals Resident in Nigeria.

- (1) The following information shall be established and independently validated for all private individuals whose identities need to be verified:

- a) The full name used; and
 - b) The permanent home address, including landmarks and postcode, where available
The confirmation of name and address shall be established by reference to more than one source.
- (2) The checks shall be undertaken by cross-validation that the applicant exists at the stated address either through the sighting of actual documentary evidence or by undertaking electronic checks of suitable databases, or by a combination of the two.
 - (3) The overriding requirement to ensure that the identification evidence is satisfactory shall rest with the PSB opening the account or providing the product or service.
- b. Documenting Evidence of Identity.**
- (1) To guard against forged or counterfeit-documents, care shall be taken to ensure that documents offered are originals.
 - (2) Copies that are dated and signed 'original seen' by a senior public servant or equivalent in a reputable private organization may be accepted in the interim, pending presentation of the original documents.
 - (3) Suitable documentary evidence for private individuals' resident in Nigerian as contained in Schedule II to this section of this framework
- c. Physical Checks on Private Individuals Resident in Nigeria**
- (1) A PSB shall establish the true identity and address of its customer and carryout effective checks to protect the institution against substitution of identities by applicants.
 - (2) Additional verification of a customer's identity and the fact that the application was made by the person identified shall be obtained through one or more of the following procedures:
 - (a) telephone contact with the applicant prior to opening of the account on an independently verified home or business number or a "welcome call" to the customer before transactions are permitted, utilizing a minimum of two pieces of personal identity information that had previously been provided during the setting up of the account;
 - (b) internet sign-on following verification procedures where the customer uses security codes, tokens, or other passwords which had been set up during account opening and provided by mail or secure delivery, to the named individual at an independently verified address; or

(c) card or account activation procedures.

(3) A PSB shall ensure that additional information on the nature and level of the business to be conducted and the origin of the funds to be used within the account are obtained from the customer.

d. Electronic Checks.

(1) An applicant's identity, address and other available information may be checked electronically by accessing other databases or sources, as an alternative or supplementary to documentary evidence of identity or address.

(2) A PSB shall use a combination of electronic and documentary checks to confirm different sources of the same information provided by a customer. Physical and electronic checks of the same statement of account are the different sources.

(3) In respect of electronic checks, confidence as to the reliability of information supplied shall be established by the cumulative nature of checking across a range of sources, preferably covering a period of time or through qualitative checks that assess the validity of the information supplied.

(4) The number or quality of checks to be undertaken shall vary depending on the diversity as well as the breadth and depth of information available from each source.

(5) Verification that the applicant is the data-subject also needs to be conducted within the checking process.

(6) Suitable electronic sources of information include -

(a) an electronic search of the electoral register not be used as a sole identity and address check;

(b) access to internal or external account database; and

(c) an electronic search of public records where available.

(7) Application of the process and procedures in this section of the framework shall assist PSBs to guard against impersonation, invented-identities and the use of false addresses provided that where an applicant is a non-face to face person, one or more additional measures shall be undertaken for re-assurance.

3.8 FINANCIAL EXCLUSION FOR THE SOCIALLY OR FINANCIALLY DISADVANTAGED APPLICANTS

a. Refugees or Asylum Seekers.

- (1) Where a refugee or asylum seeker requires a basic account without being able to provide evidence of identity, authentic references from the Ministry of Internal Affairs or an appropriate government agency shall be used in conjunction with other readily available evidence.
- (2) Additional monitoring procedures shall be undertaken in respect of sub-regulation (1) of this regulation to ensure that the use of the account is consistent with the customer's circumstances.

b. Students and Minors

- (1) When opening accounts for students or other young people, the normal identification procedures set out in this section of the framework and other relevant Regulations shall be followed as far as possible and where such procedures may not be relevant or do not provide satisfactory identification evidence, verification may be obtained through:
 - (a) the home address of the parent;
 - (b) confirming the applicant's address from his institution of learning; or
 - (c) seeking evidence of a tenancy agreement or student accommodation contract
- (2) An account for a minor may be opened by a family member or guardian and where the adult opening the account does not already have an account with the financial institution, the identification evidence for that adult, or of any other person who will operate the account shall be obtained in addition to obtaining the birth certificate or passport of the child provided that strict monitoring shall be undertaken since this type of account may be open to abuse.

3.9 UNINCORPORATED AND CORPORATED ORGANIZATIONS

a. Unincorporated Business or Partnership

- (1) Where the applicant is an un-incorporated business or a partnership whose principal partners or controllers do not already have a business account with the PSB, identification evidence shall be obtained in respect of the principal beneficial owners or controllers and any signatory in whom significant control has been vested by the principal beneficial owners or controllers.
- (2) Evidence of the address of a business or partnership shall be obtained and where a current account is being opened, a visit to the place of business may be made

to confirm the true nature of the business activities and a copy of the latest report and audited accounts shall be obtained.

- (3) The nature of the business or partnership shall be verified to ensure that it has a legitimate purpose.
- (4) Where a formal partnership arrangement exists, a mandate from the partnership authorizing the opening of an account or undertaking of a the transaction shall be obtained.

b. Limited Liability Partnership

A limited liability partnership shall be treated as a corporate customer for verification of identity and know your customer purposes.

c. Pure Corporate Customers

- (1) The legal existence of an applicant-company shall be verified from official documents or sources to ensure that persons purporting to act on its behalf are fully authorized.
- (2) Where the controlling principals cannot be identified enquiries shall be made to confirm that the legal person is not merely a "brass-plate company".

d. General Principles.

- (1) The identity of a corporate company comprises:
 - i. registration number;
 - ii. registered corporate name and any trading names used;
 - iii. registered address and any separate principal trading addresses;
 - iv. directors;
 - v. owners and shareholders; and
 - vi. the nature of the company's business.
- (2) The extent of identification measures required to validate the information or the documentary evidence to be obtained in this regulation depends on the nature of the business or service that the company requires from the financial institution and a risk-based approach shall be taken.
- (3) In all cases, information as to the nature of the normal business activities that the company expects to undertake with the financial institution shall be obtained.
- (4) Before a business account is established, measures shall be taken by way of company search at the Corporate Affairs Commission (CAC) and other commercial

enquiries undertaken to check that the applicant-company's legal existence has not been or is not in the process of being dissolved, struck off, wound up or terminated.

e. Public Registered Companies

- (1) Corporate customers that are listed on the stock exchange are considered to be publicly- owned and generally accountable. Consequently, there is no need to verify the identity of the individual shareholders.
- (2) Identify the directors of a quoted company may not be identified.
- (3) PSBs shall make appropriate arrangements to ensure that an officer or employee, past or present, is not using the name of the company or its account with the financial institution for a criminal purpose.
- (4) The Board Resolution or other authority for a representative to act on behalf of the company in its dealings with the financial institution shall be and phone calls may be made to the Chief Executive Officer of such a company to intimate him of the application to open the account in the financial institution.
- (5) Further steps shall not be taken to verify identity more than the usual commercial checks where the applicant company is listed on the stock exchange or there is independent evidence to show that it is a wholly owned subsidiary or a subsidiary under the control of such a company.
- (6) Due diligence shall be conducted where the account or service required falls within the category of higher risk business.

f. Private Companies.

Where the applicant is an **unquoted company and none of the principal directors or shareholders already have an account with the financial institution**, to verify the business, the following documents shall be obtained from an official or a recognized independent source –

- (a) a copy of the certificate of incorporation or registration, evidence of the company's registered address and the list of shareholders and directors;
- (b) a search at the Corporate Affairs Commission (CAC) or an enquiry via a business information service to obtain the information on the company;
- (c) an undertaking from a firm of lawyers or accountants confirming the documents submitted to the CAC;
- (d) a PSB shall pay attention shall be paid to the place or origin of the documents and background against which they were produced; and

(e) where comparable documents cannot be obtained, verification of principal beneficial owners or controllers shall be undertaken.

g. Higher Risk Business Applicant

Where a higher-risk business applicant is seeking to enter into an account where third party funding and transactions are permitted, the following evidence shall be obtained either in documentary or electronic form –

- i. for established companies that are incorporated for 18 months or more, a set of the latest report and audited accounts shall be produced;
- ii. a search report at the CAC or an enquiry via a business information service or an undertaking from a firm of lawyers or accountants confirming the documents submitted to the CAC;
- iii. a certified copy of the resolution of the Board of Directors to open an account and confer authority on those who will operate it; and
- iv. the Memorandum and Articles of Association of the company.

h. Higher Risk Business Relating to Private Companies

- (1) Where a private company is undertaking a higher risk business, in addition to verifying the legal existence of the business, the principal requirement is to look behind the corporate entity to identify those who have ultimate control over the business and the company's assets.
- (2) What constitutes significant shareholding or control for the purpose of this regulation depends on the nature of the company and identification evidence shall be obtained for shareholders with interests of 5% or more.
- (3) Identification evidence shall be obtained for the principal-beneficial owner of the company and any other person with principal control over the company's assets.
- (4) Where the principal owner is another corporate entity or trust, the objective is to undertake measures that look behind that company or vehicle and verify the identity of the beneficial-owner or settlers and where PSBs become aware that the principal-beneficial owners or controllers have changed, they are required to verify the identities of the new owners.
- (5) PSBs are required to also identify directors who are not principal controllers and signatories to an account for risk based approach purpose.
- (6) PSBs shall visit the place of business to confirm the existence of such business premises and the nature of the business conducted.

- (7) Where suspicions are aroused by a change in the nature of the business transacted or the profile of payments through a bank or investment account, further checks shall be made to ascertain the reason for the changes.
 - (8) In full banking accounts, periodic enquiries shall be made to establish changes to controllers, shareholders or the original nature of the business or activity.
 - (9) Particular care shall be taken to ensure that full identification and "Know Your Customer" requirements are met if the company is an International Business Company (IBC) registered in an offshore jurisdiction and operating out of a different jurisdiction.
- i. Designated Non-Financial Businesses and Professions (DNFBPs)**
- (1) As part of KYC documentation for designated non-financial businesses and professions, the certificate of registration with the Federal Ministry of Trade and Investment Special Control Unit Against Money Laundering, shall be obtained including identities of at least two of the directors.
 - (2) Where applications made on behalf of clubs or societies, a PSB shall take reasonable steps to satisfy itself as to the legitimate purpose of the organization by sighting its constitution and the identity of at least two of the principal contact persons or signatories shall be verified in line with the requirements for private individuals and when signatories change, PSBs shall verify the identity of at least two of the new signatories.
 - (3) Where the purpose of the club or society is to purchase the shares of regulated investment company or where all the members are regarded as individual clients, all the members in such cases shall be identified in line with the requirements for personal customers on a case-by-case basis.
- j. Registered Charity Organizations**
- (1) A PSB shall adhere to the identification procedures requirements for opening of accounts on behalf of charity organizations; and the confirmation of the authority to act in the name of the organization.
 - (2) The opening of accounts on behalf of charity organizations in Nigeria are required to be operated by a minimum of two signatories, duly verified and documentation evidence shall be obtained.
 - (3) When dealing with an application from a registered charity organization, the financial institution is required to obtain and confirm the name and address of the organization concerned.
 - (4) Where the person making the application or undertaking the transaction is not the official correspondent or the recorded alternate, a PSB is required to send a letter

to the official correspondent, informing him of the charity organizations' application before it and the official correspondent shall be required to respond as a matter of urgency where there is any reason to suggest that the application has been made without authority.

- (5) An application on behalf of un-registered charity organization shall be made in accordance with the procedures for clubs and societies as set out in this section of the framework and other relevant Regulations.
- (6) Where a charity organization is opening a current account, the identity of all signatories shall be verified and where the signatories change, identities of the new signatories shall be verified.

k. Religious Organizations (ROs)

A Religious Organization shall have a CAC registered number and its identity may be verified by reference to the CAC, appropriate headquarters or regional area of the denomination, and the identity of at least two signatories to its account shall be verified.

3.10 INTRODUCTIONS, APPLICATIONS AND FOREIGN INTERMEDIARIES

a. Introductions from Authorized Financial Intermediaries

- (1) Where an intermediary introduces a customer and then withdraws from the ensuing account altogether, then the underlying customer has become the applicant for the business shall be identified in line with the requirements for personal, corporate or business customers as appropriate and an introduction letter shall be issued by the introducing financial institution or person in respect of each applicant for business.
- (2) To ensure that product-providers meet their obligations, that satisfactory identification evidence shall be obtained and retained for the necessary statutory period, each introduction letter shall either be accompanied by certified copies of the identification evidence that has been obtained in line with the usual practice of certification of identification documents or by sufficient details and reference numbers that will permit the actual evidence obtained to be re-obtained at a later stage.

b. Corporate Group Introductions

- (1) Where a customer is introduced by one part of a financial sector group to another, it is not necessary for identity to be re-verified or for the records to be duplicated except –
 - (a) the identity of the customer has been verified by the introducing parent company, branch, subsidiary or associate in line with the money laundering requirements of

equivalent standards and taking account of any specific requirements such as separate address verification;

- (b) no exemptions or concessions have been applied in the original verification procedures that would not be available to the new account;
 - (c) a group introduction letter is obtained and placed with the customer's account opening records; and
 - (d) in respect of group introducers from outside Nigeria, arrangements shall be put in place to ensure that identity is verified in accordance with requirements and that the underlying records of identity in respect of introduced customers are retained for the necessary period.
- (2) Where A PSB has day-to-day access to all the Group's "Know Your Customer" information and records, there is no need to identify an introduced customer or obtain a group introduction letter where the identity of that customer has been verified previously.
 - (3) Where the identity of the customer has not previously been verified, then any missing identification evidence will need to be obtained and a risk-based approach taken on the extent of KYC information that is available on whether or not additional information shall be obtained.
 - (4) A PSB shall ensure that there is no secrecy or data protection legislation that would restrict free access to the records on request or by law enforcement agencies under court order or relevant mutual assistance procedures but where such restrictions apply, copies of the underlying records of identity shall, wherever possible, be sought and retained.
 - (5) Where identification records are held outside Nigeria, it shall be the responsibility of the financial institution to ensure that the records available, meet the requirements in this section of the framework and other relevant Regulations.

c. Business Conducted by Agents

- (1) Where an applicant is dealing in its own name as agent for its own client, a PSB shall, in addition to verifying the agent, establish the identity of the underlying client.
- (2) A PSB can regard evidence as sufficient where it has established that the client –
 - (a) is bound by and has observed this section of the framework and other relevant Regulations or the provisions of the Money Laundering (Prohibition) Act, 2011 (as amended); and

- (b) is acting on behalf of another person and has given a written assurance that he has obtained and recorded evidence of the identity of the person on whose behalf he is acting.
- (3) Consequently, where another financial institution deals with its own client regardless of whether or not the underlying client is disclosed to the financial institution then:
 - (a) where the agent is a financial institution there is no requirement to establish the identity of the underlying clients or to obtain any form of written confirmation from the agent concerning the due diligence undertaken on its underlying clients;
 - (b) where a regulated agent from outside Nigeria deals through a customer omnibus account or for a named customer through a designated account, the agent shall provide a written assurance that the identity of all the underlying clients has been verified in accordance with their local requirements; and
 - (c) Where such an assurance cannot be obtained, then the business shall not be undertaken.
- (4) Where an agent is either unregulated or is not covered by the relevant money laundering legislation, then each case shall be treated on its own merits. The knowledge of the agent shall inform the type of the due diligence standards to apply. Risk-based approach shall also be observed by the financial institution.
- d. Acquisition of one financial institution and business by another**
 - (1) Where a PSB acquires the business and accounts of another PSB/financial institution, it is not necessary for the identity of all the existing customers to be re-identified, provided that all the underlying customers' records are acquired with the business, but it shall carry out due diligence enquiries to confirm that the acquired institution had conformed with the requirements in this section of the framework and other relevant Regulations.
 - (2) Verification of identity shall be undertaken for all the transferred customers who were not verified by the transferor in line with the requirements for existing customers that open new accounts, where the:
 - (a) money laundering procedures previously undertaken have not been in accordance with the requirements of this section of the framework and other relevant Regulations;
 - (b) procedures shall be checked; or
 - (c) customer-records are not available to the acquiring financial institution.

3.11 LINKED TRANSACTIONS, FOREIGN ACCOUNTS AND INVESTMENT

a. Sanctions for non-compliance with KYC

Failure to comply with the provisions contained in this section of the framework will attract appropriate sanction in accordance with the provisions of the Principal Act, existing laws and as provided for under the offences and penalties of this section of the framework and other relevant Regulations.

b. Interpretation

In this section of the framework and other relevant Regulations –

'Applicant for Business' means a person or company seeking to establish a 'business account' or an occasional customer undertaking a 'one-off' transaction whose identity must be verified;

'Batch transfer' means a transfer comprising a number of individual wire transfers that are being sent to the same financial institutions, but may/may not be ultimately intended for different persons;

'Beneficial owner' includes a natural person who ultimately owns or controls a customer or a person on whose behalf a transaction is being conducted and the persons who exercise ultimate control over a legal person or arrangement;

'Beneficiary' includes a natural person who receives charitable, humanitarian or other types of assistance through the services of a Non-Profit Organization (NPO), all trusts other than charitable or statutory permitted non-charitable trusts which may include the settlor, and a maximum time, known as the perpetuity period, normally of 100 years.;

'Business Account' means any arrangement between the PSB and the applicant for business whose purpose is to facilitate the carrying out of transactions between the parties on a 'frequent, habitual or regular' basis and where the monetary value of dealings in the course of the arrangement is not known or capable of being ascertained at the outset;

'Cross-border transfer' means any wire transfer where the originator and beneficiary institutions are located in different jurisdictions. This term also refers to any chain of wire transfers that has at least one cross-border element;

'Designated categories of offences' include:

- i. participation in an organized criminal group and racketeering;

- ii. terrorism, including terrorist financing;
- iii. trafficking in human beings and migrant smuggling;
- iv. sexual exploitation, including sexual exploitation of children;
- v. illicit trafficking in narcotic drugs and psychotropic substances;
- vi. illicit arms trafficking;
- vii. illicit trafficking in stolen and other goods;
- viii. corruption and bribery;
- ix. fraud;
- x. counterfeiting currency;
- xi. counterfeiting and piracy of products;
- xii. environmental crime;
- xiii. murder, grievous bodily injury;
- xiv. kidnapping, illegal restraint and hostage-taking;
- xv. robbery or theft;
- xvi. smuggling (including in relation to customs and excise duties and taxes);
- xvii. tax crimes (related to direct taxes and indirect taxes);
- xviii. extortion;
- xix. forgery;
- xx. piracy;
- xxi. insider trading and market manipulation; and
- xxii. all other predicate offences as contained in Section 15 of Money Laundering (Prohibition) Act, 2011 (as amended).

'Designated non-financial businesses and professions includes:

- (a) casinos which also includes internet casinos;
- (b) real estate agents;
- (c) dealers in precious metals;
- (d) dealers in precious stones;

- (e) lawyers, notaries, other independent legal professionals – this refers to sole practitioners, partners or employed professionals within professional firms. It is not meant to refer to “internal” professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to measures that would combat money laundering;

‘Domestic transfer’ means any wire transfer where the originator and beneficiary institutions are both located in Nigeria. This term therefore refers to any chain of wire transfers that takes place entirely within Nigeria’s borders, even though the system used to affect the wire transfer may be located in another jurisdiction.

‘False declaration or disclosure’ means failing to declare or, to misrepresent the value of currency or bearer negotiable instruments being transported, or a misrepresentation of other relevant data requested for by the authorities;

‘FATF Recommendations’ means the revised FATF Recommendations issued by the Financial Action Task Force.

‘Financing of terrorism’ means financial support in any form, of terrorism or of those who encourage, plan or engage in the act of terrorism;

‘Funds’ include assets of every kind, tangible or intangible, movable or immovable however acquired, legal documents or instruments in any form, electronic or digital evidencing title or interest in such assets, bank credits, travelers cheques, bank cheques, money orders, shares, securities, bonds, drafts and letters of credit;

‘Funds transfer’ means any transaction carried out on behalf of an originator person (both natural and legal) through a PSB by electronic means with a view to making an amount of money available to a beneficiary person at another financial institution and the originator and the beneficiary may be the same person;

‘Legal arrangement’ means **express trusts or other similar legal arrangements;**

‘Legal persons’ mean bodies corporate, foundations, partnerships, or associations, or any similar bodies that can establish a permanent customer account with a PSB or otherwise own property;

‘Money or value transfer services (MVTs)’ include financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer or through a clearing network to which the MVTs provider

belongs and transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods. Sometimes these services have ties to particular geographic regions and are described using a variety of specific terms, including hawala, hundi, and fei-chen;

'Non-profit/non-governmental Organizations mean a legal entity or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of good works;

'Originator' means where there is no account, the person natural or legal that places the order with the financial institution to perform the wire transfer;

'A one-off transaction' means any transaction carried out other than in the course of an established business account.

It is important to determine whether an applicant for business is undertaking a one-off transaction or whether the transaction is or will be a part of a business account as this can affect the identification requirements.

'Payable through account' means correspondent accounts that are used directly by third parties to transact business on their own behalf;

'Proceeds' mean any property derived from or obtained, directly or indirectly, through the commission of an offence;

'Risk' All references to risk in this section of the framework and other relevant Regulations means the risk of money laundering and/or terrorist financing;

'Shell bank' means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial services group that is subject to effective consolidated supervision;

'Physical presence' means meaningful mind and management located within a country and the existence simply of a local agent or low level staff does not constitute physical presence;

'Terrorist' means any natural person who:

- (i) commits or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully,
- (ii) participates as an accomplice in terrorist acts,

- (iii) organises or directs others to commit terrorist acts, or
- (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

'Terrorist act' includes:

- (a) an act which constitutes an offence within the scope of, and as defined in one of the following treaties –
 - (i) Convention for the Suppression of Unlawful Seizure of Aircraft (1970),
 - (ii) Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1971),
 - (iii) Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents (1973),
 - (iv) International Convention against the Taking of Hostages (1979),
 - (v) Convention on the Physical Protection of Nuclear Material (1980),
 - (vi) Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1988),
 - (vii) Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (1988),
 - (viii) Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf (1988), and
 - (ix) the International Convention for the Suppression of Terrorist Bombings (1997); and
- (b) any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population or to compel a Government or an international organization to do or to abstain from doing any act;

'Terrorist financing (FT) offence' includes both the primary and ancillary offences;

'Terrorist organization' includes any group of terrorists that –

- (a) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully,
- (b) participates as an accomplice in terrorist acts,
- (c) organizes or directs others to commit terrorist acts, or
- (d) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act;

'Terrorist property' includes a property which –

- (a) has been, is being or is likely to be used for any act of terrorism;
- (b) has been, is being or is likely to be used by a proscribed organization;
- (c) is the proceeds of an act of terrorism; and
- (d) is provided or collected for the pursuit of or in connection with an act of terrorism;

'Those who finance terrorism' include any person, group, undertaking or other entity that provides or collects, by any means, directly or indirectly, funds or other assets that may be used, in full or in part, to facilitate the commission of terrorist acts, or to any persons or entities acting on behalf of, or at the direction of such persons, groups, undertakings or other entities and those who provide or

collect funds or other assets with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist acts;

'Unique identifier' means any unique combination of letters, numbers or symbols that refer to a specific originator.

'Wire transfer' means any transaction carried out on behalf of an originator both **natural and legal person** through a PSB by electronic means with a view to making an amount of money available to a beneficiary person at another financial institution; where the originator and the beneficiary may be the same person.

3.12 INFORMATION TO ESTABLISH IDENTITY

a. **Natural Persons**

- (1). For natural persons, the following information shall be obtained, where applicable:

- (a) legal name and any other names used (such as maiden name);
 - (b) correct permanent address (full address shall be obtained and the use of a post office box number only, is not sufficient);
 - (c) telephone number, fax number, and e-mail address;
 - (d) date and place of birth;
 - (e) nationality;
 - (f) occupation, public position held and name of employer;
 - (g) an official personal identification number or other unique identifier contained in an unexpired official document such as passport, identification card, residence permit, social security records or drivers' licence that bears a photograph of the customer;
 - (h) type of account and nature of the banking account; and
 - (i) signature.
- (2) The PSB shall verify the information referred to in paragraph 1 of this Schedule by at least one of the following methods:
- (a) confirming the date of birth from an official document (such as birth certificate, passport, identity card, social security records);
 - (b) confirming the permanent address (such as utility bill, tax assessment, bank statement, a letter from a public authority);
 - (c) contacting the customer by telephone, by letter or by e-mail to confirm the information supplied after an account has been opened (such as a disconnected phone, returned mail, or incorrect e-mail address shall warrant further investigation);
 - (d) confirming the validity of the official documentation provided through certification by an authorized person such as embassy official, notary public.

The examples quoted above are not the only possibilities. There may be other documents of an equivalent nature which may be produced as satisfactory evidence of customers' identity.

- 3) PSBs shall apply equally effective customer identification procedures for non-face-to-face customers as for those available for interview.
- 4) A PSB shall be able to make an initial assessment of a customer's risk profile from the information provided and particular attention shall to be focused on those customers identified as having a higher risk profile and any additional inquiries made or information obtained in respect of those customers shall include –

- (a) evidence of an individual's permanent address sought through a credit reference agency search, or through independent verification by home visits;
 - (b) personal reference (i.e. by an existing customer of the same institution);
 - (c) prior bank reference and contact with the bank regarding the customer;
 - (d) source of wealth; and
 - (e) verification of employment, public position held (where appropriate).
- (5) The customer acceptance policy shall not be so restrictive to amount to a denial of access by the general public to banking services, especially for people who are financially or socially disadvantaged.

b. Institutions.

The term "Institution" includes any entity that is not a natural person and in considering the customer identification guidance for the different types of institutions, particular attention shall be given to the different levels of risk involved.

c. Corporate Entities

- (1) For corporate entities such as corporations and partnerships, the following information shall be obtained:
- i. name of the institution;
 - ii. principal place of the institution's business operations;
 - iii. mailing address of the institution;
 - iv. contact telephone and fax numbers;
 - v. some form of official identification number, if available such as tax identification number;
 - vi. the original or certified copy of the certificate of incorporation and memorandum and articles of association;
 - vii. the resolution of the board of directors to open an account and identification of those who have authority to operate the account; and
 - viii. nature and purpose of business and its legitimacy.
- (2) The PSB shall verify the information referred to in paragraph 7(1) of this Schedule by at least one of the following methods –

- (a) for established corporate entities - reviewing a copy of the latest report and audited accounts, if available ;
 - (b) conducting an enquiry by a business information service, or an undertaking from a reputable and known firm of lawyers confirming the documents submitted ;
 - (c) undertaking a company search and/or other commercial enquiries to see that the institution has not been, or is not in the process of being dissolved, struck off, wound up or terminated;
 - (d) utilizing an independent information verification process, such as accessing public and private databases;
 - (e) obtaining prior bank references;
 - (f) visiting the corporate entity; and
 - (g) contacting the corporate entity by telephone, mail or e-mail.
- (3) The Financial Institution shall also take reasonable steps to verify the identity and reputation of any agent that opens an account on behalf of a corporate customer, if that agent is not an officer of the corporate customer.
- d. Corporation or Partnership**
- (1) For Corporations/Partnerships, the principal guidance is to look behind the institution to identify those who have control over the business and the company's or partnership's assets, including those who have ultimate control.
 - (2) For corporations, particular attention shall be paid to shareholders, signatories or others who inject a significant proportion of the capital or financial support or exercise control and where the owner is another corporate entity or trust, the objective is to undertake reasonable measures to look behind that company to verify the identity of the principals.
 - (3) What constitutes control for this purpose shall depend on the nature of a company and may rest in those who are mandated to manage the funds, accounts or investments without requiring further authorization, and who would be in a position to override internal procedures and control mechanisms.
 - (4) For partnerships, each partner shall be identified, and it shall identify immediate family members that have ownership control.
 - (5) Where a company is listed on a recognized stock exchange or is a subsidiary of a listed company, the company itself may be considered to be the principal to be identified and where a listed company is effectively controlled by an individual, group of individuals, another corporate entity or trust, those in control of the company are

considered to be principals and shall be identified accordingly.

e. Other Types of Institution

(1) The following information shall be obtained in addition to that required to verify the identity of the principals in respect of Retirement Benefit Programmes, Mutuals/Friendly Societies, Cooperatives and Provident Societies, Charities, Clubs and Associations, Trusts and Foundations and Professional Intermediaries –

- (a) name of account;
- (b) mailing address;
- (c) contact telephone and fax numbers;
- (d) some form of official identification number, such as tax identification number;
- (e) description of the purpose/activities of the account holder as stated in a formal constitution; and
- (f) copy of documentation confirming the legal existence of the account holder such as register of charities.

(2) The PSB shall verify the information referred to in paragraph 9(1) of this Schedule by at least one of the following –

- (a) obtaining an independent undertaking from a reputable and known firm of lawyers confirming the documents submitted;
- (b) obtaining prior bank references; and
- (c) accessing public and private databases or official sources.

f. Mutual/Friendly, Cooperative and Provident Societies

Where these entities are an applicant for an account, the principals to be identified shall be considered to be those persons exercising control or significant influence over the organisation's assets. This often includes board members, executives and account signatories.

g. Charities, Clubs and Associations

(1) In the case of accounts to be opened for charities, clubs, and societies, the financial institution shall take reasonable steps to identify and verify at least two signatories along with the institution itself. The principals who shall be identified shall be considered to be those persons exercising control or significant influence over the organization's assets. This includes members of the governing body or committee, the President, board members, the treasurer, and all signatories.

- (2) In all cases, independent verification shall be obtained that the persons involved are true representatives of the institution. Independent confirmation shall also be obtained of the purpose of the institution.

h. Professional Intermediaries

- (1) Where a professional intermediary opens a client account on behalf of a single client that client shall be identified and Professional intermediaries shall open "pooled" accounts on behalf of a number of entities; and where funds held by the intermediary are not co-mingled but where there are "sub-accounts" which shall be attributable to each beneficial owner, all beneficial owners of the account held by the intermediary shall be identified.
- (2) Where the funds are co-mingled, the PSB shall look through to the beneficial-owners but there may be circumstances that the Financial Institution may not look beyond the intermediary such as when the intermediary is subject to the same due diligence standards in respect of its client base as the financial institution).
- (3) Where such circumstances apply and an account is opened for an open or closed ended investment company (unit trust or limited partnership) also subject to the same due diligence standards in respect of its client base as the financial institution, the following shall be considered as principals and the Financial Institution shall take steps to identify them:
 - (a) the fund itself ;
 - (b) its directors or any controlling board, where it is a company ;
 - (c) its trustee, where it is a unit trust ;
 - (d) its managing (general) partner, where it is a limited partnership ;
 - (e) account signatories ; and
 - (f) any other person who has control over the account such as fund administrator or manager.
- (3) Where other investment vehicles are involved, the same steps shall be taken as in above where it is appropriate to do so and in addition, all reasonable steps shall be taken to verify the identity of the beneficial owners of the funds and of those who have control over the funds.
- (4) Intermediaries shall be treated as individual customers of the financial institution and the standing of the intermediary shall be separately verified by obtaining the appropriate information itemized above.

3.13 MONEY LAUNDERING AND TERRORIST FINANCING “RED FLAGS”

a. Suspicious Transactions “Red Flags”

Potential Transactions which may be referred to as ‘Red Flags’ shall be categorized as follows -

- (a) potential Transactions perceived or identified as being suspicious which among others shall include -
 - (i) transactions involving high-risk countries vulnerable to money laundering, subject to this being confirmed;
 - (ii) transactions involving shell companies;
 - (iii) transactions with correspondents that have been identified as higher risk;
 - (iv) large transaction activities involving monetary instruments such as traveller’s cheques, bank drafts, money order, particularly those that are serially numbered; and
 - (v) transaction activities involving amounts that are just below the stipulated reporting threshold or enquiries that appear to test an institution’s own internal monitoring threshold or controls.
- (a) money laundering using cash transactions which among others shall include:
 - (i) significant increases in cash deposits of an individual or corporate entity without apparent cause, particularly where such deposits are subsequently transferred within a short period out of the account to a destination not normally associated with the customer;
 - (ii) unusually large cash deposits made by an individual or a corporate entity whose normal business is transacted by cheques and other non-cash instruments;
 - (iii) frequent exchange of cash into other currencies;
 - (iv) customers who deposit cash through many deposit slips such that the amount of each deposit is relatively small but the overall total is quite significant;
 - (v) customers whose deposits contain forged currency notes or instruments;
 - (vi) customers who regularly deposit cash to cover applications for bank drafts;
 - (vii) customers making large and frequent cash deposits with cheques always drawn in favour of persons not usually associated with their type of business;

- (viii) customers who request to exchange large quantities of low denomination banknotes for those of higher denominations;
- (ix) branches of banks that tend to have far more cash transactions than usual, even after allowing for seasonal factors; and
- (x) customers transferring large sums of money to or from overseas locations with instructions for payment in cash.
- (b) money laundering using deposit accounts, especially where they are inconsistent with a customer's legitimate business, which among others shall include -
 - (i) minimal, vague or fictitious information provided by a customer that the money deposited in the bank is not in a position to be verified;
 - (ii) lack of reference or identification in support of an account opening application by a person who is unable or unwilling to provide the required documentation;
 - (iii) a prospective customer who does not have a local residential or business address and there is no apparent legitimate reason for opening a bank account;
 - (iv) customers maintaining multiple accounts in a bank or in different banks for no apparent legitimate reason or business rationale whether the accounts are in the same names or have different signatories.
 - (v) customers depositing or withdrawing large amounts of cash with no apparent business source or in a manner inconsistent with the nature and volume of the business;
 - (vi) accounts with large volumes of activity but low balances or frequently overdrawn positions;
 - (vii) customers making large deposits and maintaining large balances with no apparent rationale;
 - (viii) customers who make numerous deposits into accounts and soon thereafter request for electronic transfers or cash movement from those accounts to other accounts, locally or internationally, leaving only small balances which typically are transactions that are not consistent with the customers' legitimate business needs;
 - (ix) Sudden and unexpected increase in account activity or balance arising from deposit of cash and non-cash items which typically are accounts opened with small amounts but subsequently increase rapidly and significantly;
 - (x) accounts used as temporary repositories for funds that are subsequently transferred outside the bank to foreign accounts which accounts often have low activity;

- (xi) customer requests for early redemption of certificates of deposit or other investment soon after the purchase, with the customer being willing to suffer loss of interest or incur penalties for premature realization of investment;
 - (xii) customer requests for disbursement of the proceeds of certificates of deposit or other investments by multiple cheques, each below the stipulated reporting threshold;
 - (xiii) retail businesses which deposit many cheques into their accounts but with little or no withdrawals to meet daily business needs;
 - (xiv) frequent deposits of large amounts of currency, wrapped in currency straps that have been stamped by other banks;
 - (xv) substantial cash deposits by professional customers into client, trust or escrow accounts;
 - (xvi) customers who appear to have accounts with several institutions within the same locality, especially when the institution is aware of a regular consolidation process from such accounts prior to a request for onward transmission of the funds;
 - (xvii) large cash withdrawals from a previously dormant or inactive account, or from an account which has just received an unexpected large credit from abroad;
 - (xviii) greater use of safe deposit facilities by individuals, particularly the use of sealed packets which are deposited and soon withdrawn;
 - (xix) substantial increase in deposits of cash or negotiable instruments by a professional firm or company, using client accounts or in-house company or trust accounts, especially where the deposits are promptly transferred between other client company and trust accounts;
 - (xx) large numbers of individuals making payments into the same account without adequate explanation;
 - (xxi) high velocity of funds that reflects the large volume of money flowing through an account;
 - (xxii) an account opened in the name of a money changer that receives deposits; and
 - (xxiii) an account operated in the name of an off-shore company with structured movement of funds.
- (d) terrorist financing "red flags" which among others include -
- (i) persons involved in currency transactions who share an address or phone number, particularly when the address is also a business location or does not seem to correspond to the stated occupation such as student, unemployed, or self-employed,

- (ii) financial transaction by a nonprofit or charitable organisation, for which there appears to be no logical economic purpose or for which there appears to be no link between the stated activity of the organisation and other parties in the transaction,
- (iii) a safe deposit box opened on behalf of a commercial entity when the business activity of the customer is unknown, or such activity does not appear to justify the use of a safe deposit box.
- (iv) where large numbers of incoming or outgoing funds transfers takes place through a business account, and there appears to be no logical business or other economic purpose for the transfers, particularly when this activity involves designated high-risk locations.
- (v) where the stated occupation of the customer is inconsistent with the type and level of account activity.
- (vi) where funds transfer does not include information on the originator, or the person on whose behalf the transaction is conducted, the inclusion of which should ordinarily be expected.
- (vii) multiple personal and business accounts or the accounts of nonprofit organisations or charities are used to collect and funnel funds to a small number of foreign beneficiaries.
- (viii) foreign exchange transactions which are performed on behalf of a customer by a third party, followed by funds transfers to locations having no apparent business connection with the customer or to high-risk countries; and
- (ix) funds generated by a business owned by persons of the same origin or by a business that involves persons of the same origin from designated high-risk countries.
- (g) other unusual or suspicious activities which among others include -
 - (i) where employee exhibits a lavish lifestyle that cannot be justified by his/her salary;
 - (ii) where employee fails to comply with approved operating guidelines, particularly in private banking;
 - (iii) where employee is reluctant to take a vacation;
 - (iv) safe deposit boxes or safe custody accounts opened by individuals who do not reside or work in the institution's service area despite the availability of such services at an institution closer to them;

- (v) customer rents multiple safe deposit boxes to store large amounts of currency, monetary instruments, or high value assets awaiting conversion to currency, for placement in the banking system.
- (vi) Customer uses a personal account for business purposes;
- (vii) where official embassy business is conducted through personal accounts;
- (viii) where embassy accounts are funded through substantial currency transactions;
- (ix) where embassy accounts directly fund personal expenses of foreign nationals.

7.0 SHARED SERVICES

- i. PSBs shall with the approval of the CBN enter into shared services agreement with its parent company or subsidiary, provided that the recipient entity does not have the expertise and capacity to carry out these services.
- ii. PSBs shall establish policies and procedures to ensure that shared services with its parent/subsidiary companies are conducted at arm's length.
- iii. PSBs shall submit its shared policies and procedures, as approved by the Board to the Central Bank of Nigeria.
- iv. The board shall be responsible for the oversight of shared service arrangement and ensure the reasonableness of fees charged for the service.
- v. A shared service agreement shall be executed between the recipient institution and the provider company
- vi. All shared services agreements involving cross-border arrangements (parent and subsidiary) shall include a provision for capacity building.
- vii. The shared service agreement, along with the validation by an independent firm shall be submitted to the CBN for approval.
- viii. The Report of an Independent third-party review of the fees and services rendered shall be submitted annually to the Director, Payments System Management Department.
- ix. PSBs shall comply with FIRS Income Tax (transfer pricing) Regulation. In addition, shared service fees shall be documented for all transactions between the service provider and the recipient in the same manner as if they were between unrelated parties.
- x. A PSB that provides shared services to other entities in a group shall be responsible for the payment of salaries and allowances of the staff used to provide such services.

- xi. All services shared within the group shall be disclosed by the PSB in their annual report and website.
- xii. PSBs shall comply with all provisions of the Guidelines for Shared Services Arrangements for Banks and Other Financial Institutions advised from time to time by the CBN.

8.0 PRUDENTIAL RATIOS

a. Capital adequacy ratio

The capital adequacy ratio for Payment Service Banks shall be as provided in the extant Guidelines for Licensing and Regulation of Payments Service Banks or as may be determined by the Central Bank of Nigeria from time to time.

b. Liquidity Ratio

The liquidity ratio for Payment Service Banks shall be as provided in the extant Guidelines for Licensing and Regulation of Payments Service Banks or as may be determined by the Central Bank of Nigeria from time to time.

c. Cash Reserve Ratio

The cash reserve ratio for Payment Service Banks shall be as provided in the extant Guidelines for Licensing and Regulation of Payments Service Banks or as may be determined by the Central Bank of Nigeria from time to time.

9.0 DATA INFRASTRUCTURE AND CYBER SECURITY

A PSB shall comply with the provisions of the Nigerian Financial Services Industry IT Standard Blueprint and the Risk Based Cyber Security Framework as well as all other regulations the Bank may issue regarding ICT infrastructure for banks.

In line with the Nigerian Financial Services Industry IT Standard Blueprint, a PSB shall maintain level 3 maturity where IT Standards are defined; documented; Integrated into organizational practices via policy and procedures; Communicated through training and ensure that automation and tools are not used in a limited and fragmented way.

A PSB shall also comply with the following standards:

| SN | IT PROCESS AREA | | STANDARDS | |
|----|---------------------------------------|-----------------------------------|--|---|
| 1 | Strategic IT Alignment | | IT Infrastructure Library (ITIL) | Control Objectives for Information and related Technologies (COBIT) |
| 2 | IT Governance | | COBIT | ISO 38500 |
| 3 | Architecture & Information Management | Interfaces | ISO 8583 | ISO 20022 |
| | | Reporting | eXtensible Business Reporting Language (XBRL) | |
| | | Enterprise Architecture | The Open Group Architecture Framework (TOGAF) | |
| 4 | Solutions Delivery | Applications Development | Capability Maturity Model Integration (CMMI) | ISO 15504 |
| | | Project Management | Project Management Body of Knowledge (PMBOK) | Projects IN Controlled Environments version 2 (PRINCE2) |
| 5 | Service Management & Operations | Service Management | ITIL | |
| | | Data Center | Tier 3 Standards | |
| | | Health, Safety, Environment (HSE) | OHSAS 18001 | |
| | | Business Continuity | Business Continuity Institute Good Practice Guidelines (BCI GPG) | BS25999 / ISO 22301 |
| 6 | Information & Technology Security | | Payment Card Industry Data Security Standard (PCI DSS) | ISO 27001/27002 |
| 7 | Workforce & Resource Management | | Skills Framework for the Information Age (SFIA) | |

A PSB is also required to put in place a Cybersecurity programme that shall meet the minimum requirement laid out in the Risk Based Cybersecurity Framework. The requirement is in 4 key areas as summarized below:

- i. **Cybersecurity Governance and Oversight:** This sets the agenda and boundaries for cybersecurity management and controls through defining, directing and supporting the security efforts of the PSBs. It spells out the responsibilities of the Board of Directors, Senior Management and Chief Information Security Officer (CISO). This entails the development and enforcement of policies, procedures and other forms of guidance that the PSBs and their stakeholders are required to follow.
- ii. **Cybersecurity Risk Management System:** Effective Risk Management serves to reduce the incidence of significant adverse impact on an organization by addressing threats, mitigating exposure, and reducing vulnerability. PSBs shall incorporate cyber-risk management with their institution-wide risk management framework and governance requirements to ensure consistent management of risk across the institution. The Risk Management programme shall be based on an understanding of threats, vulnerabilities, risk profile and level of risk tolerance of the organization. The process shall also be dynamic in view of the constantly changing risk landscape. The Board and Senior Management shall support and be involved in the cyber-risk management process by ensuring that resources and capabilities are available, and roles of staff properly defined in management of risks.
- iii. **Cybersecurity Operational Resilience:** PSBs are required to build, enhance, and maintain their cybersecurity operational resilience which will ultimately contribute to reducing cybercrime in Nigeria and strengthen the banking sector cyber defense.
- iv. **Metrics, Monitoring & Reporting:** A PSB shall put in place metrics and monitoring processes to ensure compliance, provide feedback on the effectiveness of control and provide the basis for appropriate management decisions. The metrics should be properly aligned with strategic objectives and provide the information needed for effective decisions at the strategic, management and operational levels.

A PSB shall comply with all other regulations the Bank may issue regarding ICT infrastructure for banks.

10.0 INTEROPERABILITY

A PSB shall comply with the provisions of the Guidelines on Transactions Switching in Nigeria and any other relevant guidelines.

11.0 BUSINESS CONTINUITY MANAGEMENT SYSTEM

11.1 Rights and Responsibilities of PSBs

- i. A PSB shall assume the roles and responsibilities of acquirers/acquiring bank and/or issuer/issuing bank as stipulated in all regulations on electronic payments, depending on the function they may perform at any point in time within the electronic payment ecosystem.
- ii. Acquiring PSBs whose transactions are switched shall maintain databases that can handle information relating to cardholders, merchants and their transactions for a minimum period of seven (7) years.
- iii. Information on usage, volume and value of transactions and other relevant information shall be forwarded to the CBN as and when due and in the format required by the CBN.
- iv. Each PSB shall settle fees charged for the services provided by the switching company in relation to the operation of the switching network, in accordance with the agreed tariff.
- v. The issuing PSB shall be held liable (where proven) for frauds with the card arising from card skimming or other compromises of the issuing PSB's security system
- vi. An acquiring PSB shall be responsible for ensuring that merchants put in place reasonable processes and systems for confirming payee identity and detecting suspicious or unauthorized usage of electronic payment instruments, both where customer/card is physically present at point of sale or in cases where customer/card is not physically present, like in Internet/web and telephone payment systems/portals.
- vii. PSBs shall be deemed as partner institutions to the Nigeria Central Switch or any other Switch. Each Partner Institution shall undertake to satisfy and ensure continued compliance with the eligibility criteria and conditions for admission, as outlined in the operational rules and regulations of the Nigeria Central Switch (NCS) and the technical requirements as specified in the Guideline for Transaction Switching in Nigeria.
- viii. A PSB shall not perform the role of a Switch
- ix. PSBs are mandatorily required to establish secure connectivity to the Nigeria Central Switch and must be capable of providing secure hardware encryption/decryption of customer's PINs and messages for onward transmission to the NCS with respect to their card operated devices.
- x. In addition to the above, any other responsibilities as may be defined within the

switching guidelines or by the Bank with respect to transaction switching shall be applicable to PSBs.

11.2 Prohibition of Anti-competition Agreements

A PSB who is a party to Switching Services in Nigeria shall not enter into any agreement in respect of any switching service that shall cause or is likely to cause adverse effect on competition. Any agreement entered in contravention of this provision shall be null and void and of no effect.

- a. Any agreement entered between PSBs on Switching Services or decision taken by any association of switching companies or association of persons, including cartels engaged in identical or similar provision of switching services, which:
 - i. Limits or controls markets, technical development, investment or provision of Switching Services;
 - ii. Shares the market or provision of services by way of allocation of geographical area of market, or number of customers in the market or any other similar way; shall be considered an anti-competition agreement.
- b. Any agreement amongst parties to Switching Services, in respect of switching services, including:
 - i. Tie-In Agreement;
 - ii. Exclusive Service Agreement; and
 - iii. Refusal to deal

shall be considered an agreement in contravention of anti-competition agreement if such agreement causes or is likely to cause adverse effect on competition in Nigeria.

11.3 Prohibition of Abuse of Dominant Position

1. A PSB who is a party to Switching Services shall not abuse its dominant position by directly or indirectly imposing unfair or discriminatory condition and fees in the provision of its services.
2. Equally, a PSB who is a party to Switching Services shall not limit or restrict the provision of switching services or market thereof or technical or scientific development relating to switching services to the prejudice of consumers.
3. A PSB shall not indulge in practice or practices resulting in denial of market access.

12.0 REGULATORY RENDITION

Payment Service Banks shall render regular reports to the Central Bank of Nigeria in a format and frequency prescribed by the Bank.

13.0 INTEGRATION TO THE GLOBAL STANDING INSTRUCTION (GSI) PLATFORM

For their role as Participating Institutions in the GSI scheme, PSBs shall execute the GSI Mandate Agreement with the Nigeria Inter-Bank Settlement System (NIBSS) in line with the provisions of the Guidelines on Global Standing Instruction (2020) or the Extant Regulation.

For their role as Participating Institutions in the GSI scheme, PSBs shall comply with the provisions of the Guidelines on Global Standing Instruction (2020) or the Extant Regulation.

13.1 Roles and responsibilities

Particularly, a PSB shall:

- i. Execute the GSI Mandate Agreement with NIBSS and forward a copy to the CBN.
- ii. Ensure all qualifying accounts are properly maintained and visible to NIBSS on the Industry Customer Accounts Database (ICAD) or by any other service created or provisioned for this purpose.
- iii. Ensure that accounts in NIBSS' ICAD are correctly tagged with correct BVN.
- iv. Ensure and maintain connectivity to the Nigeria Central Switch.
- v. Honour ALL balance enquiries and debit advices received from NIBSS for GSI Trigger in accordance with master agreement, including GSI recall instructions.
- vi. Have adequate IT infrastructure to meet ALL the connectivity and protocol requirements at NIBSS and CBN.
- vii. Provide access to customers' NUBAN accounts.

13.2 Reporting requirements

Every PSB shall provide reports of GSI activities as may be required by the Bank

(Soft copies of the reports shall be submitted to GSI>Returns@cbn.gov.ng no later than the 8th day after each month end; in alignment with routine monthly update of CRMS records' outstanding balances).

13.3 Accountability in PSBs

To ensure completeness, integrity, accuracy and timeliness of the GSI processes consistently, the:

- i. The Chief Risk Officer (CRO) shall be accountable for the appropriateness of the entire GSI process.
- ii. The Chief Information/Technology Office (CIO or CTO) shall ensure continuous connectivity to the GSI platform and availability of all internal systems to honour all GSI instructions and protocols (including the tagging of "Unavailable Accounts" for audit log/trail purposes. This does not absolve the PSB's MD/CEO of the overall responsibility over activities of the bank.
- iii. CBN shall ensure adequate training for PSBs on GSI related processes and settlement procedures.
- iv. The CBN shall apply the prescribed penalties to the erring PSBs and impose additional sanctions for grievous violations, malfeasance by a PSB. Disputes arising from other incidents not described herein may be settled by an Arbitrator.

14.0 COMPLIANCE WITH EXTANT LAWS AND REGULATIONS

Payment Service Banks shall comply with other relevant extant regulations for CBN licensed financial institutions and/or service providers. These include but are not limited to:

- a) Cyber Security Framework issued by the CBN;
- b) Nigeria Payment System Risk & Information Security Management Framework issued by the CBN;
- c) Nigeria Financial Services Industry IT Standards Blueprint Version 2.1;
- d) Data Protection Regulations;
- e) CBN Consumer Protection Regulations;
- f) Guidelines on Operation of Electronic Payment Channels in Nigeria;
- g) Regulation on Agent Banking;
- h) Regulations on Mobile Money Operations in Nigeria;
- i) Guidelines on card issuance and usage in Nigeria;
- j) Real-Time Gross Settlement (RTGS) rules and regulations, and S4 Business rules;
and

- k) All other regulations issued by the Bank as applicable.

15.0 MONITORING AND EVALUATION

Without prejudice to the provisions of section 12.0, to ensure effective monitoring and enforcement, Payment Service Banks shall be required to render monthly returns indicating the following:

- a. Number of financially excluded/unbanked customers on-boarded during the month to which the returns relate;
- b. Number of access points deployed in the month, as well as active access points and the cumulative access points deployed.

16.0 SANCTIONS

To ensure strict compliance with extant regulations, appropriate financial and administrative sanctions shall be imposed on erring Payment Service Banks and/or their principal officers, as provided for in relevant laws, regulations and guidelines.

Approved

Glossary

Business Continuity Plan (BCP) – also known as a Resolvability and Ever-Green Will is a plan to manage the continued operations of a business or the core elements of a business during a major incident or an event of a disaster. BCP ensures banks are more accountable for their crisis resolution preparedness and should be designed to make resolution more transparent, better understood, and lead to a successful outcome.

ICT – Information and Communication Technology.

IT – Information Technology

On-boarding – the integration of unbanked individuals into the banking system through a process of registering/opening bank accounts for them, as well as familiarizing them with financial services they can access via the bank or financial service provider.

Resolution authorities – An administrative national authority or authorities responsible for exercising the resolution powers over firms within the scope of the resolution regime e.g. resolution regime for financial institutions.

Unbanked / financially excluded – individuals or a sub-set of the economy (adults), with no/limited access to financial services of a bank or similar financial institutions such as accounts, access to credit etc.



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

May 25, 2021

PSM/DIR/CON/CWO/20/063

CIRCULAR TO ALL DEPOSIT MONEY BANKS, PAYMENT SERVICE PROVIDERS AND OTHER FINANCIAL INSTITUTIONS

ISSUANCE OF THE REGULATORY FRAMEWORK FOR NON-BANK ACQUIRING IN NIGERIA

The Central Bank of Nigeria, in furtherance of its mandate to promote a sound financial system and facilitate the development of electronic payment systems in Nigeria, hereby issues the Regulatory Framework for Non-Bank Acquiring in Nigeria.

The framework sets out the rules for the operation of Non-Bank Merchant Acquiring in Nigeria as a regulated service and provides minimum standards and requirements for the operations of Non-Bank Acquiring in Nigeria, including the rights and obligations of the parties involved in the process. It also compels Non-Bank Merchant Acquirers to meet the minimum standards of operations, as approved by the Bank.

This Regulatory Framework shall guide activities of the participants in the provision of Non-Bank Acquiring services in Nigeria.

All stakeholders are required to ensure strict compliance with the framework and all other regulations, as the CBN continues to monitor developments and issue guidance as may be appropriate.


Musa I. Jimoh
Director, Payments System Management Department



CENTRAL BANK OF NIGERIA

REGULATORY FRAMEWORK FOR NON-BANK ACQUIRING IN NIGERIA

Preamble

In exercise of the powers conferred on the Central Bank of Nigeria (CBN), by Sections 2 (d), 47 (2), of the CBN Act, 2007 and Section 69 (1) of the Banks and Other Financial Institutions Act, 2020, to promote a sound financial system and facilitate the development of electronic payment system in Nigeria; the Central Bank of Nigeria (the Bank) hereby issues the Regulatory Framework for Non-Bank Acquiring in Nigeria.

1.0 Scope

The Framework sets out the procedures for the operation of Non-Bank Merchant Acquiring in Nigeria, including the rights and obligations of the parties involved in the process. It also compels Non-Bank Merchant Acquirers to meet the minimum standards of operations, as approved by the Bank.

1.1 Objectives

The objectives of this Framework are to:

- i. Establish Non-Bank Acquiring as a regulated service in Nigeria;
- ii. Provide minimum standards and requirements for the operations of Non-Bank Acquiring in Nigeria.

1.2 Participants in Non-Bank Acquiring in Nigeria

This Regulatory Framework shall guide activities of the participants in the provision of Non-Bank Acquiring services in Nigeria. Participants are as follows:

- i. Non-Bank Acquirer
- ii. Settlement Bank/Sponsor Bank
- iii. Merchant's Deposit Money Bank
- iv. Card Schemes
- v. Other Payment Schemes
- vi. Nigeria Central Switch (NCS)

2.0 Roles and Responsibilities of Participants

2.1 Non-Bank Acquirers

Only Licensed Switching and Processing Companies, other than Acquiring Banks, shall be allowed to process and settle transactions on behalf of merchants in Nigeria. The Bank shall approve non-Bank Acquirers, as it deems necessary, from time to time.

2.2 Settlement Bank/Sponsor Bank

The role of the Settlement/Sponsor Bank shall be as prescribed in the Guidelines for the Operations of Electronic Payment Channels in Nigeria and other relevant regulations.

2.3 Merchant's Deposit Money Bank

The role of the Merchant's Deposit Money Bank shall be as prescribed in the Guidelines for the Operations of Electronic Payment Channels in Nigeria and other relevant regulations.

2.4 Payment Schemes/NCS

The role of the Payment Schemes/NCS shall be as prescribed in the Guidelines for the Operations of Electronic Payment Channels in Nigeria and other relevant regulations.

3.0 Documents and Policies

Non-bank Acquirers shall have in place adequate policies for the management of risks associated with the acquiring services. Furthermore, necessary agreements shall be executed with parties to the acquiring services.

3.1 Policies

The Non-Bank Acquirer shall have and implement policies that include minimum standards established by the payments schemes (including card schemes) to mitigate risk to the payment system. The policies shall be approved by the acquirer's Board of Directors or as appropriate, an executive management committee. Upon request, these policies shall be made available to relevant scheme.

3.2 Merchant Agreements

The Non-Bank Acquirer shall maintain merchant agreements that meet the respective scheme's minimum requirements for disclosure, and clearly define obligations of acquirer, merchant and other parties. Furthermore, it shall have appropriate merchant agreement(s) in place with each merchant, prior to provision of transaction acquiring services.

4.0 Merchant Underwriting

The Non-Bank Acquirer shall:

- i. Control merchant approvals as per pre-determined policies and procedures.
- ii. Provide Payment Scheme acceptance privileges, in accordance with the respective Payment Scheme Rules.

5.0 Merchant Risk Monitoring

The Non-Bank Acquirer shall maintain minimum standards in accordance with the Guidelines on Electronic Payment Channels in Nigeria and risk controls to monitor merchant activity. This shall be to ensure compliance with the respective payment scheme rules while protecting stakeholders such as merchants, consumers, schemes and other participants. A fraud monitoring/behavioral management solution shall be put in place.

6.0 Settlement Arrangements

Non-Bank Acquirers shall:

- i. not directly access or hold merchants' funds, whether from/for settlement, reversals or any other reason.
Notwithstanding (i) above,
- ii. stipulate its responsibilities to the merchant, for the security and settlement of transaction amounts to merchant accounts.
- iii. ensure that Merchants' accounts are credited in respect of the acquired transactions, as agreed in executed Service Level Agreements (SLAs).
- iv. strictly comply with respective scheme rules.
- v. have controls in place, related to establishing and changing merchants' bank accounts where settlement funds are deposited.

7.0 Sponsorship Arrangements

The application for approval by the entity intending to provide Non-Bank acquiring shall be sponsored by at least one acquiring Bank, where settlements shall be domiciled.

The roles and responsibility of a sponsor for each financial institution in a payment scheme shall include:

- i. Generation of financial/transaction data
- ii. Computation of settlement position.

8.0 Payment Scheme Licence/Approval

The Non-Bank Acquirer shall execute agreement with each payment scheme whose transactions it wishes to acquire. Provisional arrangements/agreements may be considered for in the process of applying for approval.

9.0 Risk Management

- i. Non-Bank acquirers shall develop and provide an appropriate governance structure, to manage the risk inherent in the acquiring service.
- ii. There shall be documented and approved policies in place; which support the risk management function and highlight the acquiring programme strategy, including targeted merchant segments, various entities/agents involved, their responsibilities, likely risks and mitigation procedures.
- iii. Non-Bank Acquirers shall comply with all applicable security standards, and shall ensure all merchants who store, transmit and use sensitive card data are Payment Card Industry Data Security Standard, PCI DSS- certified.
- iv. Non-Bank Acquirers shall perform due diligence before on-boarding new merchants as stated in the CBN Know Your Customer (KYC) Policy Document and Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) requirements.
- v. Non-Bank Acquirers shall undertake measures to prevent the use of their networks for purposes associated with money laundering, financial crimes and other illicit activities.

- vi. Non-Bank Acquirers shall not acquire transactions of merchants that are neither registered nor operating in Nigeria.
- vii. Non-Bank Acquirers shall verify that merchants have obtained necessary approvals from appropriate regulatory agencies in respect of their area of trade or activities.
- viii. Non-Bank Acquirers shall have a process to ensure adequate merchant agreements are effected.

10.0 Requirements for Regulatory Review and Approval

The CBN requirements to provide Non-Bank acquiring in Nigeria are as follows:

- i. The company shall be a CBN-licensed Switching Company or any other company as approved by the Bank.
- ii. In addition, to (i) above, the following documentation shall be required:
 - a. Evidence of engagement with a card scheme
 - b. Due Diligence and Merchant Onboarding Process
 - c. Merchant Risk Monitoring Framework
 - d. Sponsorship letter from one (1) Settlement Bank
 - e. Draft merchant agreements
 - f. Details of its settlement arrangements
 - g. Service Level Agreement (SLA) with Settlement Bank
 - h. Business Continuity Plan
 - i. Any other document(s) as may be required by the Bank.

11.0 Termination of Approval

The Bank shall terminate a Non-Bank Acquirer's Approval in the event of any of the following:

- a. Failure to meet the conditions for renewal of operating licence, as a switching and processing company in Nigeria;
- b. Revocation of licence/approval by the Bank;
- c. Termination of agreement with or approval of payment scheme(s);
- d. Inability to maintain relationship with at least two (2) payment schemes;
- e. Operational failures that lead to significant losses/fraud; or
- f. Any other reason(s) as may be determined by the Bank, from time to time.

12.0 Consumer Protection/Dispute Resolution

Any dispute arising out of, or in relation to this Framework, shall be settled in accordance with CBN's Consumer Protection Regulation. If unresolved, may be referred to an arbitration panel, as provided under the extant Arbitration and Conciliation Act or as maybe defined by the Bank from time to time.

13.0 Compliance and Sanctions

All parties shall comply with the provisions of this Framework, and other related Guidelines issued by the CBN. Non-compliance shall attract appropriate sanctions by the CBN.

14.0 Conflict with prior regulations

This Framework shall prevail, on matters of non-bank acquiring service, in the case of conflict with any prior Guidelines issued by the CBN.

May 2021
Central Bank of Nigeria, Abuja



| SWITCHING AND PROCESSING LICENCE | |
|---|---|
| ELIGIBILITY | Any corporate entity registered by the Corporate Affairs Commission (CAC), with Memorandum and Article of Association (MEMART). |
| CAPITAL REQUIREMENT | <ol style="list-style-type: none"> 1. N2,000,000,000.00 (shareholders' funds unimpaired by losses) 2. Preceding 3-years audited financial statements of the company (If applicable) 3. Escrow of refundable N2bn into CBN PSP Share Capital Deposit Account No. 1000014009 <ol style="list-style-type: none"> a) Deposit for escrow must be in full (one lump sum) b) It must be made in the name of the company applying for licence (not an individual or related company) c) Escrowed funds are invested in treasury bills, subject to availability of treasury instruments, which would be refunded accordingly. |
| CONTACT | All written application should be addressed to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja, accompanied by evidence of payments of application fee and other documentary requirements. |
| DOCUMENTARY REQUIREMENTS | <ol style="list-style-type: none"> 1. Certificate of Incorporation of the company 2. Memorandum & Articles of Association (Note: the object clause(s) must be RESTRICTED to relevant payments system activities permitted by the Bank) 3. Form CAC 2A (Return on Allotment of shares) 4. Form CAC 7A (Particulars of Directors) 5. Tax Clearance Certificate for three (3) years of the company (if applicable) and Taxpayer Identification Number (TIN) of company 6. The company's profile; detailing current type of business operation, products and services 7. Structure of holding company or parent company (if applicable) 8. Details of ownership: private/public; ultimate parent; any significant changes in ownership in the last two years 9. Total number of employees 10. Organogram |

| | |
|--|--|
| | <ol style="list-style-type: none"> 11. Functional physical address, contact e-mails from company's domain and telephone numbers 12. Board Structure – showing at a minimum Chairman, CEO/MD, and at least, one (1) Independent Non-Executive Director and other Director(s) 13. Bank Verification Number (BVN), Curricula Vitae (CVs), proof of government issued identity (National Identification Number (NIN), International Passport, Driver's Licence, Voter's Card) of Board and top management team. 14. Details of current line of business (if applicable) 15. Business Plan, to include: <ol style="list-style-type: none"> a. Nature of the business b. Features of the scheme c. Security features that will be put in place d. 5 years financial projections e. Proposed schedule of charges f. Profit sharing arrangement g. Diagrammatic illustration of transaction flows h. Understanding of the nature of the POS business and support requirements i. Terminal deployment and connectivity strategy j. POS support strategy (on-site and offsite) and strategy to ensure failures are remotely detected and fixed within 72 hours k. Transaction fees and other charges to be borne by customers l. Strategy for ensuring 99.9% uptime for terminals m. Training and merchant relationship management strategy n. Customer care and issue resolution strategy o. Project work plan that demonstrates readiness/ability to commence work. p. Partnerships & Alliances - scope, duration, and other pertinent details q. Competitive advantage/value proposition r. Planned coverage area s. Experience with this activity or something similar in the past 16. Information Technology policy of the company including: <ol style="list-style-type: none"> a. Privacy Policy b. Information Ownership/Disclosure/Loss Policy c. Backup and Restore Policy |
|--|--|

| | |
|--|--|
| | <ul style="list-style-type: none"> d. Network Security Policy e. Encryption Policy f. Confidential Data Policy g. Password Policy h. Third Party Connection Policy i. Incidence Response Policy j. Physical Security Policy <p>17. Enterprise Risk Management Framework</p> <p>18. Dispute Resolution Framework</p> <p>19. Contingency and Disaster Recovery Plan (Business Continuity Plan)</p> <p>20. Duly executed agreements (drafts, as applicable) with the following:</p> <ul style="list-style-type: none"> a. Technical partners b. Participating banks c. Merchants d. Telcos e. Any other relevant party <p>21. Project Deployment Methodology</p> <p>22. A document that shall outline the strategy of the shared agent network including current and potential engagements, geographical spread and benefits to be derived</p> <p>23. Qualifying criteria for engaging agents e.g.</p> <ul style="list-style-type: none"> a. Outreach b. Competence c. Integrity d. Others <p>24. Draft Service Level Agreements (SLAs) with sub-agents and Financial Institution (FI) Agent Banking Contract</p> <p>25. Risk management, internal control, operational procedures and any other policy and procedures relevant to the management of an agent banking arrangement</p> <p>26. Procedures for KYC and AML/CFT compliance</p> <p>27. Fraud detection plan and standard of care</p> <p>28. Consumer Protection Policy and Procedure Board Approval</p> <p>29. Certifications:</p> |
|--|--|

| | |
|---------------------------------------|---|
| | <ul style="list-style-type: none"> a) Payment Card Industry Data Security Standard (PCIDSS) Certification (if applicable) b) Payment Application Data Security Standard (PADSS) Certification or Compliance with CBN IT Standards for Solution Development (if applicable) c) Payment Terminal Service Aggregator (PTSA) of Payment Terminal Application Certification d) Other relevant certifications |
| APPLICATION AND LICENSING FEES | <ol style="list-style-type: none"> 1. Non-refundable application fee of N100,000.00 (One hundred thousand naira), payable to the CBN via the Licensing Fees for Payment Products Account No. NGN140230089/ABJ. 2. Licensing fee of N1,000,000.00 to be paid before the issuance of the final licence, if successful. |
| LICENCE VALIDITY | <ol style="list-style-type: none"> 1. Approval-in-Principle for six (6) Months 2. Commercial licence validity is as determined by the Bank renewable upon satisfactory performance of operations. 3. Others, as advised from time to time. |

Please clearly mark your submissions according to the numbers above

*** An Independent Non-Executive Director, is a member of the Board of Directors who has no direct material relationship with the company or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the Director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.*



| MOBILE MONEY OPERATOR LICENCE | |
|--------------------------------------|--|
| ELIGIBILITY | Any corporate entity registered by the Corporate Affairs Commission (CAC), with Memorandum and Article of Association (MEMART). |
| CAPITAL REQUIREMENT | <ol style="list-style-type: none"> 1. N2,000,000,000.00 (shareholders' funds unimpaired by losses) 2. Preceding 3-years audited financial statements of the company (If applicable) 3. Escrow of refundable N2bn into CBN PSP Share Capital Deposit Account No. 1000014009 <ol style="list-style-type: none"> a) Deposit for escrow must be in full (one lump sum) b) It must be made in the name of the company applying for licence (not an individual or related company) c) Escrowed funds are invested in treasury bills, subject to availability of treasury instruments, which would be refunded accordingly. |
| CONTACT | All written application should be addressed to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja, accompanied by evidence of payments of application fee and other documentary requirements. |
| DOCUMENTARY REQUIREMENTS | <ol style="list-style-type: none"> 1. Certificate of Incorporation of the company 2. Memorandum & Articles of Association (Note: the object clause(s) must be RESTRICTED to relevant payments system activities permitted by the Bank) 3. Form CAC 2A (Return on Allotment of shares) 4. Form CAC 7A (Particulars of Directors) 5. Tax Clearance Certificate for three (3) years of the company (if applicable) and Taxpayer Identification Number (TIN) of company 6. The company's profile; detailing current type of business operation, products and services |

| | |
|--|--|
| | <ol style="list-style-type: none"> 7. Structure of holding company or parent company (if applicable) 8. Details of ownership: private/public; ultimate parent; any significant changes in ownership in the last two years 9. Total number of employees 10. Organogram 11. Functional physical address, contact e-mails from company's domain and telephone numbers 12. Board Structure – showing at a minimum Chairman, CEO/MD, and at least, one (1) Independent Non-Executive Director and other Director(s) 13. Bank Verification Number (BVN), Curricula Vitae (CVs), proof of government issued identity (National Identification Number (NIN), International Passport, Driver's Licence, Voter's Card) of Board and top management team. 14. Details of current line of business (if applicable) 15. Business Plan, to include: <ol style="list-style-type: none"> a. Nature of the business b. Features of the scheme c. Security features that will be put in place d. 5-years financial projections e. Proposed schedule of charges f. Profit sharing arrangement g. Diagrammatic illustration of transaction flows 16. Information Technology policy of the company including: <ol style="list-style-type: none"> a. Privacy Policy b. Information Ownership/Disclosure/Loss Policy c. Backup and Restore Policy d. Network Security Policy e. Encryption Policy f. Confidential Data Policy g. Password Policy h. Third Party Connection Policy i. Incidence Response Policy j. Physical Security Policy 17. Enterprise Risk Management Framework |
|--|--|

| | |
|---------------------------------------|---|
| | <ul style="list-style-type: none"> 18. Dispute Resolution Framework 19. Contingency and Disaster Recovery Plan (Business Continuity Plan) 20. Duly executed agreements (drafts, as applicable) with the following: <ul style="list-style-type: none"> a. Technical partners b. Participating banks c. Merchants d. Telcos e. Any other relevant party 21. Project Deployment Plan (time, location, operation, etc.) |
| APPLICATION AND LICENSING FEES | <ul style="list-style-type: none"> 1. Non-refundable application fee of N100,000.00 (One hundred thousand naira), payable to the CBN via the Licensing Fees for Payment Products Account No. NGN140230089/ABJ. 2. Licensing fee of N1,000,000.00 to be paid before the issuance of the final licence, if successful. |
| LICENCE VALIDITY | <ul style="list-style-type: none"> 1. Approval-in-Principle for six (6) Months 2. Commercial licence validity is as determined by the Bank renewable upon satisfactory performance of operations. 3. Others, as advised from time to time. |

Please clearly mark your submissions according to the numbers above

*** An Independent Non-Executive Director, is a member of the Board of Directors who has no direct material relationship with the company or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the Director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.*



| PAYMENT SOLUTION SERVICES (PSS) | |
|--|---|
| ELIGIBILITY | Any corporate entity registered by the Corporate Affairs Commission (CAC), with Memorandum and Article of Association (MEMART). |
| CAPITAL REQUIREMENT | <ol style="list-style-type: none"> 1. N250,000,000.00 (shareholders' funds unimpaired by losses) 2. Preceding 3-years audited financial statements of the company (If applicable) 3. Escrow of refundable N250m (for entities applying for the three (3) licences at a time: PSSP – N100m, PTSP – N100m, and Super Agent – N50m) into CBN PSP Share Capital Deposit Account No. 1000014009 <ul style="list-style-type: none"> * Applicants may take up any or all of the above listed licences (see circular on New Licence Categorisations for Payments Service Providers in the Nigerian Payments System). <ol style="list-style-type: none"> a) Deposit for escrow must be in full (one lump sum) b) It must be made in the name of the company applying for licence (not an individual or related company) c) Escrowed funds are invested in treasury bills, subject to availability of treasury instruments, which would be refunded accordingly. |
| CONTACT | All written application should be addressed to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja, accompanied by evidence of payments of application fee and other documentary requirements. |
| DOCUMENTARY REQUIREMENTS | <ol style="list-style-type: none"> 1. Certificate of Incorporation of the company 2. Memorandum & Articles of Association (Note: the object clause(s) must be RESTRICTED to relevant payments system activities permitted by the Bank) 3. Form CAC 2A (Return on Allotment of shares) 4. Form CAC 7A (Particulars of Directors) |

| | |
|--|---|
| | <ol style="list-style-type: none"> 5. Tax Clearance Certificate for three (3) years of the company (if applicable) and Taxpayer Identification Number (TIN) of company 6. The company's profile; detailing current type of business operation, products and services 7. Structure of holding company or parent company (if applicable) 8. Details of ownership: private/public; ultimate parent; any significant changes in ownership in the last two years 9. Total number of employees 10. Organogram 11. Functional physical address, contact e-mails from company's domain and telephone numbers 12. Board Structure – showing at a minimum Chairman, CEO/MD, and at least, one (1) Independent Non-Executive Director and other Director(s) 13. Bank Verification Number (BVN), Curricula Vitae (CVs), proof of government issued identity (National Identification Number (NIN), International Passport, Driver's Licence, Voter's Card) of Board and top management team. 14. Details of current line of business (if applicable) 15. Business Plan, to include: <ol style="list-style-type: none"> a. Nature of the business b. Features of the scheme c. Securities features that will be put in place d. 5 years financial projections e. Proposed schedule of charges f. Profit sharing arrangement g. Diagrammatic illustration of transaction flows 16. Information Technology policy of the company including: <ol style="list-style-type: none"> a. Privacy Policy b. Information Ownership/Disclosure/Loss Policy c. Backup and Restore Policy d. Network Security Policy e. Encryption Policy f. Confidential Data Policy |
|--|---|

| | |
|--|--|
| | <ul style="list-style-type: none"> g. Password Policy h. Third Party Connection Policy i. Incidence Response Policy j. Physical Security Policy <p>17. Enterprise Risk Management Framework</p> <p>18. Dispute Resolution Framework</p> <p>19. Contingency and Disaster Recovery Plan (Business Continuity Plan)</p> <p>20. Duly executed agreements (drafts, as applicable) with the following:</p> <ul style="list-style-type: none"> a. Technical partners b. Participating banks c. Merchants d. Telcos e. Any other relevant party <p>21. Project Deployment Methodology</p> <p>22. Business Plan for the PTSP and should cover the following (at a minimum):</p> <ul style="list-style-type: none"> a. Understanding of the nature of the POS business and support requirements b. Terminal deployment and connectivity strategy c. POS support strategy (on-site and offsite) and strategy to ensure failures are remotely detected and fixed within 72 hours d. Features of the scheme e. Securities features that will be put in place f. Transaction and other charges that will be borne by customers g. Strategy for ensuring 99.9% uptime for terminals h. Training and merchant relationship management strategy i. Customer care and issue resolution strategy j. Strategy to obtain certifications from switches and other relevant bodies k. Project work plan that demonstrates readiness/ability to commence work. l. Profit sharing agreement among parties |
|--|--|

| | |
|--|--|
| | <ul style="list-style-type: none"> m. Diagrammatic illustration of transaction flows n. Partnerships & Alliances - scope, duration, and other pertinent details o. Business Continuity/Disaster recovery plan p. Competitive advantage/value proposition q. Planned coverage area r. Experience with this activity or something similar in the past <p>23. A document that shall outline the strategy of the shared agent network including current and potential engagements, geographical spread and benefits to be derived.</p> <p>24. Must have a minimum of 50 agents</p> <p>25. Qualifying criteria for engaging agents e.g.</p> <ul style="list-style-type: none"> a. Outreach b. Competence c. Integrity d. Others <p>26. Duly executed (drafts, as applicable) Service Level Agreements (SLAs) with sub-agents and Financial Institution (FI) Agent Banking Contract</p> <p>27. Risk management, internal control, operational procedures and any other policy and procedures relevant to the management of an agent banking arrangement.</p> <p>28. Procedures for KYC and AML/CFT compliance</p> <p>29. Fraud detection plan and standard of care</p> <p>30. Consumer Protection Policy and Procedure Board Approval</p> <p>31. Certifications:</p> <ul style="list-style-type: none"> a) Payment Card Industry Data Security Standard (PCIDSS) Certification (if applicable) b) Payment Application Data Security Standard (PA-DSS) Certification or Compliance with CBN IT Standards for Solution Development (if applicable) |
|--|--|

| | |
|---------------------------------------|---|
| | <ul style="list-style-type: none"> c) Payment Terminal Service Aggregator (PTSA) of Payment Terminal Application Certification d) Other relevant certifications |
| APPLICATION AND LICENSING FEES | <ol style="list-style-type: none"> 1. Non-refundable application fee of N100,000.00 (One hundred thousand naira) payable to the CBN via the Licensing Fees for Payment Products Account No. NGN140230089/ABJ. 2. Licensing fee of N1,000,000.00 to be paid before the issuance of the final licence, if successful. |
| LICENCE VALIDITY | <ol style="list-style-type: none"> 1. Approval-in-Principle for six (6) Months 2. Commercial licence validity is as determined by the Bank renewable upon satisfactory performance of operations. 3. Others, as advised from time to time. |

Please clearly mark your submissions according to the numbers above

*** An Independent Non-Executive Director, is a member of the Board of Directors who has no direct material relationship with the company or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the Director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.*



| PAYMENT TERMINAL SERVICE PROVIDER (PTSP) LICENCE | |
|---|---|
| ELIGIBILITY | Any corporate entity registered by the Corporate Affairs Commission (CAC), with Memorandum and Article of Association (MEMART). |
| CAPITAL REQUIREMENT | <ol style="list-style-type: none"> 1. N100,000,000.00 (shareholders' funds unimpaired by losses) 2. Preceding 3-years audited financial statements of the company (If applicable) 3. Escrow of refundable N100m into CBN PSP Share Capital Deposit Account No. 1000014009 <ol style="list-style-type: none"> a) Deposit for escrow must be in full (one lump sum) b) It must be made in the name of the company applying for licence (not an individual or related company) c) Escrowed funds are invested in treasury bills, subject to availability of treasury instruments, which would be refunded accordingly. |
| CONTACT | All written application should be addressed to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja, accompanied by evidence of payments of application fee and other documentary requirements. |
| DOCUMENTARY REQUIREMENTS | <ol style="list-style-type: none"> 1. Certificate of Incorporation of the company 2. Memorandum & Articles of Association (Note: the object clause(s) must be RESTRICTED to relevant payments system activities permitted by the Bank) 3. Form CAC 2A (Return on Allotment of shares) 4. Form CAC 7A (Particulars of Directors) 5. Tax Clearance Certificate for three (3) years of the company (if applicable) and Taxpayer Identification Number (TIN) of company 6. The company's profile; detailing current type of business operation, products and services |

| | |
|--|--|
| | <ol style="list-style-type: none"> 7. Structure of holding company or parent company (if applicable) 8. Details of ownership: private/public; ultimate parent; any significant changes in ownership in the last two years 9. Total number of employees 10. Organogram 11. Functional physical address, contact e-mails from company's domain and telephone numbers 12. Board Structure – showing at a minimum Chairman, CEO/MD, and at least, one (1) Independent Non-Executive Director and other Director(s) 13. Bank Verification Number (BVN), Curricula Vitae (CVs), proof of government issued identity (National Identification Number (NIN), International Passport, Driver's Licence, Voter's Card) of Board and top management team. 14. Details of current line of business (if applicable) 15. Business Plan, to include: <ol style="list-style-type: none"> a) Nature of the business b) Features of the scheme c) Securities features that will be put in place d) 5 years financial projections e) Proposed schedule of charges f) Profit sharing arrangement g) Diagrammatic illustration of transaction flows 16. Information Technology policy of the company including: <ol style="list-style-type: none"> a) Privacy Policy b) Information Ownership/Disclosure/Loss Policy c) Backup and Restore Policy d) Network Security Policy e) Encryption Policy f) Confidential Data Policy g) Password Policy h) Third Party Connection Policy i) Incidence Response Policy j) Physical Security Policy 17. Enterprise Risk Management Framework 18. Dispute Resolution Framework |
|--|--|

| | |
|--|--|
| | <p>19. Contingency and Disaster Recovery Plan (Business Continuity Plan)</p> <p>20. Duly executed agreements (drafts, as applicable) with the following:</p> <ul style="list-style-type: none"> a) Technical partners b) Participating banks c) Merchants d) Telcos e) Any other relevant party <p>21. Project Deployment Methodology</p> <p>22. Business Plan for the PTSP and should cover the following (at a minimum):</p> <ul style="list-style-type: none"> a) Understanding of the nature of the POS business and support requirements b) Terminal deployment and connectivity strategy c) POS support strategy (on-site and offsite) and strategy to ensure failures are remotely detected and fixed within 72 hours d) Securities features that will be put in place e) Transaction fees and other charges to be borne by customers f) Strategy for ensuring 99.9% uptime for terminals g) Training and merchant relationship management strategy h) Customer care and issue resolution strategy i) Strategy to obtain certifications from switches and other relevant bodies j) Project work plan that demonstrates readiness/ability to commence work. k) Profit sharing agreement among parties l) Diagrammatic illustration of transaction flows m) Partnerships & Alliances - scope, duration, and other pertinent details n) Business Continuity/Disaster recovery plan o) Competitive advantage/value proposition p) Planned coverage area q) Experience with this activity or something similar in the past |
|--|--|

| | |
|---------------------------------------|---|
| | <p>23. Certifications:</p> <ul style="list-style-type: none"> a) Payment Card Industry Data Security Standard (PCIDSS) Certification (if applicable) b) Payment Application Data Security Standard (PA-DSS) Certification or Compliance with CBN IT Standards for Solution Development (if applicable) c) Payment Terminal Service Aggregator (PTSA) of Payment Terminal Application Certification d) Other relevant certifications |
| APPLICATION AND LICENSING FEES | <ol style="list-style-type: none"> 1. Non-refundable application fee of N100,000.00 (One hundred thousand naira) payable to the CBN via the Licensing Fees for Payment Products Account No. NGN140230089/ABJ. 2. Licensing fee of N1,000,000.00 to be paid before the issuance of the final licence, if successful. |
| LICENCE VALIDITY | <ol style="list-style-type: none"> 1. Approval-in-Principle for six (6) Months 2. Commercial licence validity is as determined by the Bank renewable upon satisfactory performance of operations. 3. Others, as advised from time to time. |

**Please clearly mark your submissions according to the numbers above*

*** An Independent Non-Executive Director, is a member of the Board of Directors who has no direct material relationship with the company or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the Director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.*



| PAYMENT SOLUTION SERVICE PROVIDER (PSSP) | |
|---|---|
| ELIGIBILITY | Any corporate entity registered by the Corporate Affairs Commission (CAC), with Memorandum and Article of Association (MEMART). |
| CAPITAL REQUIREMENT | <ol style="list-style-type: none"> 1. N100,000,000.00 (shareholders' funds unimpaired by losses) 2. Preceding 3-years audited financial statements of the company (If applicable) 3. Escrow of refundable N100m into CBN PSP Share Capital Deposit Account No. 1000014009 <ol style="list-style-type: none"> a) Deposit for escrow must be in full (one lump sum) b) It must be made in the name of the company applying for licence (not an individual or related company) c) Escrowed funds are invested in treasury bills, subject to availability of treasury instruments, which would be refunded accordingly. |
| CONTACT | All written application should be addressed to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja, accompanied by evidence of payments of application fee and other documentary requirements. |
| DOCUMENTARY REQUIREMENTS | <ol style="list-style-type: none"> 1. Certificate of Incorporation of the company 2. Memorandum & Articles of Association (Note: the object clause(s) must be RESTRICTED to relevant payments system activities permitted by the Bank) 3. Form CAC 2A (Return on Allotment of shares) 4. Form CAC 7A (Particulars of Directors) 5. Tax Clearance Certificate for three (3) years of the company (if applicable) and Taxpayer Identification Number (TIN) of company 6. The company's profile; detailing current type of business operation, products and services |

| | |
|--|--|
| | <ol style="list-style-type: none"> 7. Structure of holding company or parent company (if applicable) 8. Details of ownership: private/public; ultimate parent; any significant changes in ownership in the last two years 9. Organogram 10. Total number of employees 11. Functional physical address, contact e-mails from company's domain and telephone numbers 12. Board Structure – showing at a minimum Chairman, CEO/MD, and at least, one (1) Independent Non-Executive Director and other Director(s) 13. Bank Verification Number (BVN), Curricula Vitae (CVs), proof of government issued identity (National Identification Number (NIN), International Passport, Driver's Licence, Voter's Card) of Board and top management team. 14. Details of current line of business (if applicable) 15. Business Plan, to include: <ol style="list-style-type: none"> a. Nature of the business b. Features of the scheme c. Securities features that will be put in place d. 5 years financial projections e. Proposed schedule of charges f. Profit sharing arrangement g. Diagrammatic illustration of transaction flows 16. Information Technology policy of the company including: <ol style="list-style-type: none"> a. Privacy Policy b. Information Ownership/Disclosure/Loss Policy c. Backup and Restore Policy d. Network Security Policy e. Encryption Policy f. Confidential Data Policy g. Password Policy h. Third Party Connection Policy i. Incidence Response Policy j. Physical Security Policy |
|--|--|

| | |
|--|--|
| | <p>17. Enterprise Risk Management Framework</p> <p>18. Dispute Resolution Framework</p> <p>19. Contingency and Disaster Recovery Plan (Business Continuity Plan)</p> <p>20. Duly executed agreements (drafts, as applicable) with the following:</p> <ul style="list-style-type: none"> a. Technical partners b. Participating banks c. Merchants d. Telcos e. Any other relevant party <p>21. Certifications:</p> <ul style="list-style-type: none"> a) Payment Card Industry Data Security Standard (PCIDSS) Certification (if applicable) b) Payment Application Data Security Standard (PA-DSS) Certification or Compliance with CBN IT Standards for Solution Development (if applicable) c) Payment Terminal Service Aggregator (PTSA) of Payment Terminal Application Certification d) Other relevant certifications |
| <p>APPLICATION AND LICENSING FEES</p> | <p>1. Non-refundable application fee of N100,000.00 (One hundred thousand naira) payable to the CBN via the Licensing Fees for Payment Products Account No. NGN140230089/ABJ.</p> <p>2. Licensing fee of N1,000,000.00 to be paid before the issuance of the final licence, if successful.</p> |
| <p>LICENCE VALIDITY</p> | <p>1. Approval-in-Principle for six (6) Months</p> <p>2. Commercial licence validity is as determined by the Bank renewable upon satisfactory performance of operations.</p> <p>3. Others, as advised from time to time.</p> |

**Please clearly mark your submissions according to the numbers above*

*** An Independent Non-Executive Director, is a member of the Board of Directors who has no direct material relationship with the company or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the Director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.*



| SUPER AGENT LICENCE | |
|---------------------------------|---|
| ELIGIBILITY | Any corporate entity registered by the Corporate Affairs Commission (CAC), with Memorandum and Article of Association (MEMART). |
| CAPITAL REQUIREMENT | <ol style="list-style-type: none"> 1. N50,000,000.00 (shareholders' funds unimpaired by losses) 2. Preceding 3-years audited financial statements of the company (If applicable) 3. Escrow of refundable N50m into CBN PSP Share Capital Deposit Account No. 1000014009 <ol style="list-style-type: none"> a) Deposit for escrow must be in full (one lump sum) b) It must be made in the name of the company applying for licence (not an individual or related company) c) Escrowed funds are invested in treasury bills, subject to availability of treasury instruments, which would be refunded accordingly. |
| CONTACT | All written application should be addressed to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja, accompanied by evidence of payments of application fee and other documentary requirements. |
| DOCUMENTARY REQUIREMENTS | <ol style="list-style-type: none"> 1. Certificate of Incorporation of the company 2. Memorandum & Articles of Association (Note: the object clause(s) must be RESTRICTED to relevant payments system activities permitted by the Bank) 3. Form CAC 2A (Return on Allotment of shares) 4. Form CAC 7A (Particulars of Directors) 5. Tax Clearance Certificate for three (3) years of the company (if applicable) and Taxpayer Identification Number (TIN) of company 6. The company's profile; detailing current type of business operation, products and services 7. Structure of holding company or parent company (if applicable) 8. Details of ownership: private/public; ultimate parent; any significant changes in ownership in the last two years 9. Total number of employees 10. Organogram 11. Functional physical address, contact e-mails from company's domain and telephone numbers |

| | |
|--|---|
| | <ol style="list-style-type: none"> 12. Board Structure – showing at a minimum Chairman, CEO/MD, and at least, one (1) Independent Non-Executive Director and other Director(s) 13. Bank Verification Number (BVN), Curricula Vitae (CVs), proof of government issued identity (National Identification Number (NIN), International Passport, Driver's Licence, Voter's Card) of Board and top management team. 14. Details of current line of business (if applicable) 15. Business Plan, to include: <ol style="list-style-type: none"> a. Nature of the business b. Features of the scheme c. Securities features that will be put in place d. 5 years financial projections e. Proposed schedule of charges f. Profit sharing arrangement g. Diagrammatic illustration of transaction flows 16. Information Technology policy of the company including: <ol style="list-style-type: none"> a. Privacy Policy b. Information Ownership/Disclosure/Loss Policy c. Backup and Restore Policy d. Network Security Policy e. Encryption Policy f. Confidential Data Policy g. Password Policy h. Third Party Connection Policy i. Incidence Response Policy j. Physical Security Policy 17. Enterprise Risk Management Framework 18. Dispute Resolution Framework 19. Contingency and Disaster Recovery Plan (Business Continuity Plan) 20. Duly executed agreements (drafts, as applicable) with the following: <ol style="list-style-type: none"> a. Technical partners b. Participating banks c. Merchants d. Telcos e. Any other relevant party |
|--|---|

| | |
|---------------------------------------|---|
| | <p>21. A document that shall outline the strategy of the shared agent network including current and potential engagements, geographical spread and benefits to be derived.</p> <p>22. Must have a minimum of 50 agents</p> <p>23. Qualifying criteria for engaging agents e.g.</p> <ul style="list-style-type: none"> a. Outreach b. Competence c. Integrity d. Others <p>24. Duly executed (drafts, as applicable) Service Level Agreements (SLAs) with sub-agents and Financial Institution (FI) Agent Banking Contract</p> <p>25. Risk management, internal control, operational procedures and any other policy and procedures relevant to the management of an agent banking arrangement.</p> <p>26. Procedures for KYC and AML/CFT compliance</p> <p>27. Fraud detection plan and standard of care</p> <p>28. Consumer Protection Policy and Procedure Board Approval</p> <p>29. PTSA's of Payment Terminal Application Certification</p> |
| APPLICATION AND LICENSING FEES | <p>1. Non-refundable application fee of N100,000.00 (One hundred thousand naira) payable to the CBN via the Licensing Fees for Payment Products Account No. NGN140230089/ABJ.</p> <p>2. Licensing fee of N1,000,000.00 to be paid before the issuance of the final licence, if successful.</p> |
| LICENCE VALIDITY | <p>1. Approval-in-Principle for six (6) Months</p> <p>2. Commercial licence validity is as determined by the Bank renewable upon satisfactory performance of operations.</p> <p>3. Others, as advised from time to time.</p> |

**Please clearly mark your submissions according to the numbers above*

*** An Independent Non-Executive Director, is a member of the Board of Directors who has no direct material relationship with the company or any of its officers, major shareholders, subsidiaries and affiliates; a relationship which may impair the Director's ability to make independent judgments or compromise the director's objectivity in line with Corporate Governance best practices.*



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

Ref: PSM/DIR/PUB/CIR/02/001

February 17, 2021

CIRCULAR TO ALL DEPOSIT MONEY BANKS (DMBs) AND PAYMENT SERVICE PROVIDERS (PSPs)

ISSUANCE OF REGULATORY FRAMEWORK FOR OPEN BANKING IN NIGERIA

The Central Bank of Nigeria (CBN) in line with its mandate to promote financial system stability, hereby issues the Regulatory Framework for Open Banking in Nigeria.

The framework establishes principles for data sharing across the banking and payments ecosystem, which will promote innovation, broaden the range of financial products and services, and deepen financial inclusion.

The regulatory framework stipulates, amongst others, data and Application Programming Interface (API) access requirements, principles for API, data, technical design and information security specifications.

Operational guidelines related to the framework will be communicated in due course.

The CBN will continue to monitor industry developments and issue further guidance as appropriate.

Musa I. Jimoh

Director, Payments System Management Department



REGULATORY FRAMEWORK

FOR

OPEN BANKING IN NIGERIA

CENTRAL BANK OF NIGERIA

FEBRUARY 2021

Contents

| | | |
|------|---|----|
| 1.0 | Introduction..... | 3 |
| 2.0 | Objectives..... | 3 |
| 3.0 | Scope..... | 4 |
| 4.0 | Data and Service Categories..... | 4 |
| 5.0 | Data and Service Access Governance..... | 5 |
| 6.0 | Guiding Principles for API Specifications..... | 8 |
| 7.0 | Roles and Responsibilities of Participants..... | 10 |
| 8.0 | Responsibilities of the Central Bank of Nigeria..... | 14 |
| 9.0 | Risk Management..... | 14 |
| 10.0 | Customer Rights, Responsibilities and Redress Mechanism.. | 15 |

1.0 Introduction

The Central Bank of Nigeria, in furtherance of its mandate for the stability of the financial system and pursuant to its role in deepening the financial system, developed the regulatory framework on open banking in Nigeria. Having observed the growing integration of banks and other financial institutions with innovators in the financial services space and the increasing adoption of Application Programming Interface (API) based integrations in the industry, it has become expedient for the Bank to provide appropriate framework to regulate the practice.

The opportunities presented by Open Banking for enhancing financial inclusion, improving competition in the financial services space and promoting efficient services are compelling cases for the implementation of Open Banking in Nigeria. The Bank is committed to adopting beneficial international standard practice in the Nigerian Banking Industry with due cognisance given to risk management and applicability in the Nigerian environment.

Therefore, the Bank hereby issues the Regulatory Framework for Open Banking in Nigeria to foster the sharing and leveraging of customer-permissioned data by banks with third party firms to build solutions and services that provide efficiency, greater financial transparency and options for account holders and to enhance access to financial services in Nigeria.

2.0 Objectives

The objectives of this framework are as follows:

- i. To provide an enabling regulatory environment for provision of innovative and customer-centric financial services through the safe utilisation and exchange data and services;
- ii. To define risk based data access levels and service categorisations towards effective management of risk in the operation of open API;
- iii. To outline baseline requirements and standards for the exchange of data and services among participants in the financial services sector;
- iv. To provide risk management guidance for operators in the financial services space for leveraging data and APIs in the provision of financial services;

- v. To promote competition in banking and other financial services and enhance access to financial services.

3.0 Scope

The framework is specifically for banking and other related financial services as follows:

- i. Payments and remittance services
- ii. Collection and Disbursement services
- iii. Deposit-taking
- iv. Credit
- v. Personal finance advisory and management
- vi. Treasury Management
- vii. Credit ratings/scoring
- viii. Mortgage
- ix. Leasing/Hire purchase
- x. Other services as may be determined by the Bank

4.0 Data and Service Categories

The framework provides for data that may be exchanged and corresponding API services that may be implemented by and used by participants.

4.1 Categories

Open exchange of data and services through APIs shall be according to the following data and services categories:

- i. **Product Information and Service Touchpoints (PIST):** This shall include information on products provided by participants to their customers and access points available for customers to access services e.g. ATM/POS/Agents locations, channels (website/app) addresses, institution identifiers, service codes, fees, charges and quotes, rates, tenors, etc.

- ii. **Market Insight Transactions (MIT):** This shall include statistical data aggregated on basis of products, service, segments, etc. It shall not be associated to any individual customer or account. These data could be exchanged at an organisational level or at an industry level.
- iii. **Personal Information and Financial Transaction (PIFT):** This shall include data at individual customer level either on general information on the customer (e.g. KYC data, total number or types of account held, etc) or data on the customer's transaction (e.g. balances, bills payments, loans, repayments, recurring transactions on customer's accounts, etc)
- iv. **Profile, Analytics and Scoring Transaction (PAST):** This shall include information on a customer which analyses, scores or give an opinion on a customer e.g. credit score, income ratings etc.

4.2 Data and Service Risk Rating

| S/N | Category | Risk Rating |
|-----|---|------------------|
| 1. | Product Information and Service Touchpoints (PIST) | Low |
| 2. | Market Insight Transactions (MIT) | Moderate |
| 3. | Personal Information and Financial Transaction (PIFT) | High |
| 4. | Profile, Analytics and Scoring Transaction (PAST) | High & Sensitive |

5.0 Data and Service Access Governance

5.1 Risk Management (RM) Maturity Level and Data & Services Access Level

Data and API access requirements among participants shall be guided by the following risk management maturity levels of participants:

| S/N | Participants Category | RM Maturity Level (Tier 0 – 3) | Access Level by Data and Service Category |
|-----|--|--------------------------------|---|
| 1. | Participants without regulatory licence | Tier 0 | PIST and MIT |
| 2. | Participants through CBN Regulatory Sandbox | Tier 1 | PIST, MIT and PIFT |
| 3. | Licensed Payments Service Providers and OFIs | Tier 2 | PIST, MIT, PIFT and PAST |
| 4. | Deposit Money Banks | Tier 3 | PIST, MIT, PIFT and PAST |

5.2 Data and API Access Requirements

5.2.1 Tier 0 Requirements

- i. The on-boarding requirements for Tier 0 Participants shall be determined by respective sponsoring Tier 2 or Tier 3 participants;
- ii. Upon on-boarding the Tier 0 Participant, the sponsoring Tier 2 or Tier 3 participants, within 3 working days of on-boarding the Tier 0 participant shall register the Tier 0 participant on the Open Banking Registry to be maintained by the Central Bank of Nigeria;
- iii. The sponsoring Tier 2 or Tier 3 participants shall seek the registration of the Tier 0 participants on the Open Banking Registry with a comprehensive risk assessment report, duly signed by the Chief Risk Officer of the sponsoring participant, carried out on the Tier 0 participant.

5.2.2 Tier 1 Requirements

- i. The admission into the CBN regulatory sandbox cohort shall be the primary requirement for Tier 1 Participants;

- ii. The Central Bank of Nigeria may, as deemed fit and on a case by case basis, stipulate further requirements;
- iii. Tier 1 participant shall be listed on the Open Banking Registry.

5.2.3 Tier 2 Requirements

- i. The Tier 2 Participant shall hold a valid Licence from the Central Bank of Nigeria;
- ii. Satisfactory Risk Assessment Report by at least two (2) partner participants. The report should address, the Know Your Partner (KYP) assessment in respect of business & governance, financial strength analysis, control environment assessment and risk management practices. The two partner participants issuing the Risk Assessment Report shall include both Tier 2 and Tier 3 participants;
- iii. Tier 2 participant shall be listed on the Open Banking Registry

5.2.4 Tier 3 Requirements

- i. The Tier 3 Participant shall hold a valid Licence from the Central Bank of Nigeria;
- ii. Satisfactory Risk Assessment Report by at least two (2) partner participants. The report should address, the Know Your Partner (KYP) assessment in respect of business & governance, financial strength analysis, control environment assessment and risk management practices. The two partner participants issuing the Risk Assessment Report shall include both Tier 2 and Tier 3 participants;
- iii. Tier 3 participant shall be listed on the Open Banking Registry

6.0 Guiding Principles for API Specifications

The Central Bank of Nigeria shall regulate the development of a common Banking Industry API standard with technical design standard, data standard, information security standard and operational rules.

The development of a common API standard by the industry and/or by participants shall adhere to the following principles:

- i. Openness: accessible to all interested and permissioned parties
- ii. Reusability: premised on existing standards and taxonomy of technology
- iii. Interoperability: supports exchange of objects across technologies, platforms, and organisations
- iv. Modularity: loose coupling with provision for flexible integration
- v. Robustness: scalable, improvable, evolvable and transparent
- vi. User-Centric: enhances user experience for consumers
- vii. Security: ensures data privacy and safe exchanges and transactions

6.1 Guidance on Technical Design Specifications

The development of technical design specifications shall take the following into cognisance:

- i. API Design model shall consider the Data and Service Risk Rating in the choice of the appropriate model;
- ii. More secure API design model shall apply to PIFT and PAST service categories;
- iii. API Design Model shall make adequate provision for proper versioning and change management.

Appendix 1 provides a list of standards that may be adopted in the technical design specification.

6.2 Guidance on Data Specifications

- i. Appropriateness of data standard shall be benchmarked on industry wide acceptability, international acceptance, adequate documentation and customisability;
- ii. Data standard specifications shall take cognisance of data and service category specified in this framework for appropriateness or fitness of use;

Appendix 1 provides a list of existing standards that may be adopted in the data specifications.

6.3 Guidance on Information Security Specifications

- i. Security specification for APIs shall address, authentication, authorisation, encryption, secure hosting and data integrity;
- ii. Strong authentication, authorisation, encryption, secure hosting and data integrity shall be required for PIFT and PAST service categories;
- iii. Privacy regulation shall be fully complied with in the design of security architecture.

Appendix 1 provides a list of existing information security standards that may be adopted in the information security specification.

6.4 Guidance on Operational Rules

- i. Operational rules shall ensure open access rules and its consistent application to all based on RM Maturity levels defined;
- ii. Data Access Agreement and Service Level Agreement among participants shall be mandatory;

- iii. Dispute resolution protocols among participants shall be codified for basic operational issues;
- iv. Operational rules shall discourage dominant party and anti-competition practices.

7.0 Roles and Responsibilities of Participants

7.1 Participants' Roles

Participants may assume the following roles:

- i. **Provider:** A provider is a participant that uses API to avail data or service to another participant;
- ii. **Consumer:** A consumer is a participant that uses API released by the providers to access data or service;
- iii. **Fintechs:** Companies that provide innovative financial solutions, products and services;
- iv. **Developer Community:** individuals and entities that develop APIs for participants based on requirements.

7.2 Participants' Responsibilities

The following are role-based responsibilities for participants:

7.2.1 Responsibilities of Providers

The Providers shall:

- i. Publish the APIs and define requirements and technical guidelines. It is recommended that the provider shall leverage the common Banking Industry API Standard;
- ii. Define the data and services accessible through the APIs;

- iii. Comply with the provisions of this framework;
- iv. Establish Data Access Agreement and Service Level Agreements with other participants;
- v. Carry out Know Your Partner (KYP) due diligence on partner participants which shall include a comprehensive risk assessment on the partner participant duly signed off by the Chief Risk Officer before executing agreements specified in (iv) above;
- vi. Share responsibility with the partner participant for any loss to the end-user which did not arise from the wilful negligence or fraudulent act of the end-user;
- vii. Ensure that the partner participant that owns the customer interface obtains consent of the end-user based on agreed protocols;
- viii. Certify that the partner participants define to the end-user in explicit terms the implication of granting consents to it and give the end-user the option to choose access rights to data granted the partner participant;
- ix. Carry out regular monitoring of the control environment of the partner participants and revalidates the agreements in (iv) on an annual basis;
- x. Without prejudice to (ix) subscribe to a common industry initiative for regular monitoring and validation of participants;
- xi. Deploy and implement automated monitoring system for evaluation of the vulnerability of its systems and environment to partner participant and for the management of fraud or related risks;
- xii. Maintain logs on adoption and usage and other metrics on performance of APIs;
- xiii. Specify risk metrics and thresholds, the breach of which could lead to a review of the relationship with partner participants;
- xiv. Notify the partner participant of intention to terminate relationship within 48hours of breaching the risk thresholds;

- xv. Notify the Bank of any terminated relationships with partner participants within 3 business days to update information in the Open Banking Registry where necessary;
- xvi. Comply with data privacy laws and regulations;
- xvii. Maintain customer service/complaint desk on 24 hours/7 days a week basis for financial institutions to resolve complaints of end-users.

7.2.2 Responsibilities of API Users

API Users shall:

- i. Execute a Data Access Agreement and Service Level Agreement with Provider;
- ii. Adhere to the requirements and guidelines set by the Provider;
- iii. Specify to the end-user the implications of the consent to be given and the actions that may be performed on the account of the end-user;
- iv. Obtain consent of the end-user on each action that may be performed on the account of the end user as specified by the provider;
- v. Cooperate with the Provider for the regular monitoring of its control environment;
- vi. Ensure an annual re-validation of the Data Access Agreement and Service Level Agreement;
- vii. Implement any remedial actions as may be indicated by the Provider based on vulnerabilities discovered through the monitoring of its control environment;
- viii. Collaborate effectively with the Provider to investigate any breach or fraud;
- ix. Comply with data privacy laws and all consumer protection regulations;
- x. Maintain customer service/complaint desk on 24 hours/7 days a week basis for financial institutions to resolve complaints of end-users;

- xi. Take all reasonable steps to ensure that the end user/customer understands the implication and risk of his/her data to be shared;
- xii. Comply with the provisions of this framework;

7.2.3 Responsibilities of Fintechs

Fintechs are usually consumers of APIs, however this framework recognises that there could be occasions for Fintechs to be Providers of API. Fintechs shall therefore assume the responsibilities of either consumer or provider depending on the role they play at any point in time.

In addition, Fintechs shall:

- i. Ensure that it leverages API to innovate products and solutions that are interoperable;
- ii. Avoid alteration of APIs published by provider without consent of the providers;
- iii. Any Modification of published APIs shall be based on the provisions of Data Access Agreement or where necessary an addendum to the agreement. The agreement shall specify rights of the parties to the modified API and commercial terms;
- iv. Comply with data privacy laws and regulations;
- v. Adhere to the provisions of this framework;
- vi. Maintain customer service/complaint desk on 24 hours/7 days a week basis for financial institutions to resolve complaints of end-users.

7.2.4 Responsibilities of Developer Community

The Developer community are persons or entities that may provide programming services for other participants. They shall:

- i. Comply with the provisions of this framework;

- ii. Execute service agreements with the partner participant outlining the participant's business requirement and technical guidelines;
- iii. Employ secure coding and development standards and practices;
- iv. Maintain strict avoidance of interaction with the production server of the partner participant;

8.0 Responsibilities of the Central Bank of Nigeria

The Central Bank of Nigeria shall be responsible for the following:

- i. Issuance of the Regulatory Framework for Open Banking in Nigeria and its review as it may deem necessary;
- ii. Oversight of the implementation and operations of Open Banking in Nigeria;
- iii. Enforcement of this framework;
- iv. Arbitration of disputes among participants before any litigation or commencement of Judicial process;
- v. Application of the Consumer Protection Framework to Open Banking Disputes with end-users;
- vi. Facilitation of the following enablers:
 - a. Development of Common Banking Industry API Standards within 12 months of the issuance of this framework;
 - b. Maintenance of Open Banking Registry.

9.0 Risk Management

Risk Management under the Open Banking Framework shall be the responsibility of all participants. Therefore, participants shall:

- i. Have information technology, information security policies and a risk management framework that address APIs;

- ii. Designate a Chief Risk Officer who shall be responsible for implementing effective internal control and risk management practices;
- iii. Maintain updated API Risk catalogues;
- iv. Maintain API Process Control Mapping and Risk Control Matrix;
- v. Align incident management processes and procedures with partner institutions clearly outlining responsibilities of each party;
- vi. Agree risk management metrics and measurement procedures for APIs operations and deploy appropriate technology to monitor and report on the metrics to partners;
- vii. Submit to risk assessment by partner participants as provided in the agreements;
- viii. Avail the Bank with risk assessment report on partner participants and provide the Bank with reports on the assessments of its control environment;
- ix. Collaborate with partner participants to ensure compliance with data privacy laws and regulation;
- x. Maintain updated data footprint mapping in conjunction with partner participants;
- xi. Implement fraud monitoring systems and promptly exchange fraud intelligence with partner participants;
- xii. Collaborate with partner participants on cyber risks;
- xiii. Promptly implement remedial measures to prevent, detect and manage cyberattacks and frauds.

10.0 Customer Rights, Responsibility and Redress Mechanism

The customer is critical to the successful implementation of open banking. Therefore, the protection of the customer shall be the responsibility of all

participants. Participants are therefore required to adhere to the provisions of the Consumer Protection Framework of the Bank in their dealings with customers. Additionally, the following shall apply in the operation of the open banking:

- i. The agreements presented to the customer by the participant shall be simple, explicit and in the customer's preferred language;
- ii. The agreement shall be presented to the customer's preferred form including written, electronic, video or audio;
- iii. Customer's consent shall be obtained in the same form the agreement was presented and a copy of the consent of the customer shall be made available to the customer and preserved by the participant;
- iv. The specific rights which the customer will be granting to the participant and the implication of granting those rights to the participant shall be listed for the customer to consent to separately for each right to be given to the participant;
- v. The consent of the customer shall be re-validated annually and where the customer had not used the service of the partner for 180 days;
- vi. The responsibility of the customer for his/her protection shall be clearly communicated to the customer at the on-boarding stage;
- vii. The participant shall avail the customer with security updates regularly in his/her preferred form and language to help him or her conduct transactions safely;
- viii. The customer shall adhere to procedures for authenticating transactions and ensure that login and authentication details are not compromised through negligence;
- ix. The customer shall comply with preventive protocols and security advise provided by the participant and report any observed discrepancy in his/her accounts or assets;

- x. Participant and its partner shall be jointly responsible and bear liability for any loss to the customer, except where the participant can prove wilful negligence or fraudulent act against the customer;

APPENDIX 1

1. API DESIGN MODEL STANDARDS

- Representational State Transfer (REST)
- Simple Object Access Protocol (SOAP)

2. DATA STANDARDS

- Open Financial Exchange (OFX)
- eXtensible Business Reporting Language (XBRL)
- ISO 9735- Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT)
- Financial product Markup Language (FpML)
- Financial Information Exchange (FIX)
- Market Data Definition Language (MDDL)
- Security Assertion Markup Language (SAML) 2.0
- ISO 20022
- Statistical Data and MetaData eXchange (SDMX)

3. INFORMATION SECURITY STANDARDS

- **Authentication:**
 - OAuth 2.0
 - OpenID Connect
 - FAPI
 - Security Assertion Markup Language (SAML) 2.0
- **Authorisation**
 - OAuth 2.0
 - ISO 10181-3 – Access Control Framework
 - FAPI
- **Encryption**
 - Transport Layer Security (TLS) v 1.2
 - RSA Public/Private Key

- AES
- Secure File Transfer Protocol (SFTP)
- **Data Integrity**
 - JSON Web Token (JWT)
 - WS-Security
 - Keyed Hash Message Authentication Code (HMAC)
- **Secure Hosting**
 - ISO 27001
 - ISO 22301
 - PCI DSS

CENTRAL BANK OF NIGERIA



**FRAMEWORK FOR QUICK RESPONSE (QR) CODE PAYMENTS IN
NIGERIA**

APPROVED

JANUARY 2021

1.0 Introduction

In furtherance of its mandates to, ensure the safety and stability of the Nigerian Financial System, promote the use and adoption of electronic payments and foster innovation in the payments system, the Central Bank of Nigeria hereby issues the Framework for Quick Response (QR) Code Payments in Nigeria.

Quick Response (QR) Codes are a kind of matrix barcode representing information presented as square grids, made up of black squares against a contrasting background, that can be scanned by imaging device, processed and transmitted by appropriate technology.

These codes can be used to present, capture and transmit payments information across payments infrastructure. The technology further enables the mobile channel to facilitate payments and presents another veritable avenue for promoting electronic payments for micro and small enterprises.

2.0 Scope and Objectives

This framework provides regulatory guidance for the operation of QR Code payment services in Nigeria. It aims to ensure the adoption of appropriate QR code standards for safe and efficient payments services in Nigeria. The framework therefore stipulates:

- i. Acceptable QR Code Standards for implementing QR Payments in Nigeria;
- ii. Interoperability of QR Payments in Nigeria;
- iii. Roles and Responsibilities of Participants in QR Payments in Nigeria;
- iv. Risk management principles for QR code Payments in Nigeria

3.0 QR Code Specifications for Payments in Nigeria

Implementation of QR Code for payments in Nigeria shall be within the following specifications:

- 3.1 QR Code Payments in Nigeria shall be based on the EMV® QR Code Specification for Payment Systems;

- 3.2 The Bank may also approve the implementation of any other QR Code Standard, provided it meets the prescribed security requirements within the framework, demonstrates interoperability with other existing implementation in the industry and/or cost benefits to end-users (merchants and customers);
- 3.3 QR Code Payments implementation in Nigeria shall support account, wallet, card and token based QR Code Operations;
- 3.4 Implementation of QR Code for payments in Nigeria shall be based on the Merchant-presented mode (where merchants present the QR Code for buyers to accept in order to conclude payment transactions) specification;

4.0 Participants in QR Code Payment in Nigeria

Participants in QR Code Payment in Nigeria include;

- i. Merchants
- ii. Customers
- iii. Issuers (Banks, MMOs and Other Financial Institutions)
- iv. Acquirers (Banks, MMOs and Other Financial Institutions)
- v. Payments Service Providers

5.0 Responsibilities of Participants in QR Code Payments in Nigeria

- i. **Merchants** shall
 - a. Use and display only approved QR Codes in Nigeria;
 - b. Comply with service agreements executed with the acquirer;
 - c. Cooperate with acquirer to investigate any reported fraudulent transaction;
 - d. Report suspicious use of QR Codes for payments to the acquirer;
 - e. Conform with the rules and regulation of the acquirer;
 - f. Be guided by the extant CBN Guidelines on Electronic Payments Channels in Nigeria, Guide to charges by banks, other financial and non-

bank financial institutions, and other applicable regulation as may be issued by the Bank.

- ii. **Customers** shall;
 - a. Use QR Code payments applications availed by the issuer and for intended purpose without modifications, at merchant locations/websites/applications;
 - b. Consumer shall adhere to all minimum security guidelines as stipulated by the issuer;
 - c. Report inappropriate/unauthorised QR Code Payment transaction on their accounts/wallets.
- iii. **Issuers** (Banks, MMOs and Other Financial Institutions) shall:
 - a. Provide QR Code Payment application to customers upon request and activation by customer;
 - b. Execute service agreement with their customers;
 - c. Comply with Card Scheme Rules (where applicable);
 - d. Determine and agree appropriate transaction limits with customers for QR Code Payments based on their customers' risk profile assessment;
 - e. Ensure appropriate configurations on QR Code Payment application that use QR codes for payments in conformity and compliance with requirements of QR Code regulations;
 - f. Deploy necessary updates and patches on its QR Code Payment application and ensure the customer is unable to initiate transaction through the older version of the application where the customer fails to apply the update within 14 days of the availability of the update or patch;
 - g. Without prejudice to (f) above, issuers may induce an automatic update of the customer's application where applicable;
 - h. Provide adequate training, support and security guidelines to customers on the use of QR code for payments;

- i. Ensure security of QR Code payment application for QR Code payments;
 - j. Resolve customers dispute in accordance with the CBN Consumer Protection Regulation.
 - k. Be guided by the extant CBN Guidelines on Electronic Payments Channels in Nigeria, Guide to charges by banks, other financial and non-bank financial institutions, and other applicable regulation as may be issued by the Bank.
- iv. **Acquirers** shall
- a. Execute service agreement with merchants;
 - b. Determine and agree appropriate transaction limits with merchants for accepting QR Code Payments based on its risk profile assessment of the merchant;
 - c. Ensure appropriate configurations and use of QR codes at Merchant location/website/applications in conformity and compliance with requirements of QR Scheme(s) and QR Code regulations;
 - d. Ensure that appropriate security protocols are applied.
 - e. Provide adequate training, support and security guidelines to merchants on the use of QR code for payments;
 - f. Ensure that hardware, software, protocols used for QR Code for payments are in conformity with the requirements of operations of QR Code payments regulations;
 - g. Give merchants value for QR Code transaction within T+1 or as may be agreed with the merchant;
 - h. Be guided by the extant CBN Guidelines on Electronic Payments Channels in Nigeria, Guide to charges by banks, other financial and non-bank financial institutions, and other applicable regulation as may be issued by the Bank.

- v. **Other Payments Service Providers (Switches & PSSPs)** shall;
 - a. Support processing and settlement for all issuers and acquirers;
 - b. Facilitate interoperability of QR Code Payments for all issuers and acquirers;
 - c. Ensure full compliance with this Framework and other extant guidelines on electronic payments and transaction processing.

6.0 Interoperability

All issuers, acquirers, switches, processors and other participants in QR payments in Nigeria shall ensure full interoperability of QR Code Schemes in Nigeria.

7.0 Risk management and compliance

The following risk management principles shall guide the operations of QR Code Payments in Nigeria:

- a. Issuers and acquirers shall clearly define risk management policy and guidelines for the operation of the QR Code Scheme. The risk management guidelines shall include detailed stipulation of the responsibilities of all participants for managing risk;
- b. QR Codes shall, at a minimum, be encrypted (AES) and/or signed;
- c. QR Codes Payments applications, updates and patches shall be duly certified by the Payment Terminal Service Aggregator (PTSA);
- d. Issuers and Acquirers, shall agree minimum due diligence guidance for merchant on-boarding without prejudice to the KYC/AML requirements of the Bank;
- e. Issuers and Acquirers shall ensure that only PTSA certified QR Code shall be utilised;
- f. Issuers and Acquirers shall ensure behavioural monitoring and fraud management systems are implemented to prevent, detect and mitigate fraud and money laundering;

- g. Issuers shall have the overall responsibilities for managing fraud risk and shall coordinate all participants towards managing fraud in its scheme;
- h. Issuers shall provide quarterly risk management assessment report to the Director, Payments System Management Department. The risk management assessment report shall include among others fraud report, vulnerabilities assessment and risk mitigating measures introduced.

8.0 Dispute Resolution

All consumer complaints shall be resolved in accordance with the CBN Consumer Protection Regulation.

9.0 Infringements and Sanctions

All parties shall comply with the provisions of this framework and other relevant guidelines issued by the CBN. The Bank shall apply appropriate sanctions to any party that fails to comply accordingly.

January 2021
Central Bank of Nigeria, Abuja



CENTRAL BANK OF NIGERIA

FRAMEWORK FOR REGULATORY SANDBOX OPERATIONS

Table of Contents

| | |
|--|----|
| 1.0 Introduction | 3 |
| 2.0 Application and Approval Requirements..... | 6 |
| 3.0 Operational Requirements..... | 7 |
| 4.0 Sandbox Cohorts..... | 11 |
| 5.0 Responsibilities of the Central Bank of Nigeria..... | 11 |
| 6.0 Responsibilities of Participants | 12 |
| 7.0 Positioning of Customer Safeguards..... | 12 |
| 8.0 Confidentiality..... | 13 |
| Glossary of Terms | 15 |

1.0 INTRODUCTION

In view of increasing consumer appetite for payment solutions and emerging disruptive technology in the financial services space, the Central Bank of Nigeria (CBN) has deemed it pertinent to ensure new and more flexible ways of engaging with the industry. One of the options being the use of a Regulatory Sandbox which is a formal process for firms to conduct live tests of new, innovative products, services, delivery channels, or business models in a controlled environment, with regulatory oversight, subject to appropriate conditions and safeguards. This would enable the Bank stay abreast of innovations while promoting a safe, reliable and efficient Payments System to foster innovation without compromising on the delivery of its mandate.

This Framework, therefore, defines the establishment, rules and operations of a Regulatory Sandbox for the Nigerian Payments System to promote effective competition, embrace new technology, encourage Financial Inclusion and improve customer experience, with a view to engendering public confidence in the Financial System.

1.1 OBJECTIVES

The objectives of the Regulatory Sandbox Operation in Nigeria are as follows:

- i. To increase the potential for innovative business models that advance financial inclusion;
- ii. To reduce time-to-market for innovative products, services, and business models;
- iii. To increase competition, widen consumers' choice and lower costs;
- iv. To ensure appropriate consumer protection safeguards in innovative products;
- v. To clearly define the roles and responsibilities of stakeholders and the operations of the Sandbox for the Nigerian Payments System industry;
- vi. To ensure adequate provisions in regulations to create an enabling environment for innovation without compromising on safety for consumers and the overall payments system; and
- vii. To provide an avenue for regulatory engagement with FinTech firms in the payment space, while contributing to economic growth.

1.2 SCOPE

The Framework provides standards for the operations of a Regulatory Sandbox, and prescribes the processes and procedures for analyzing, collecting, updating, integrating, and storing of consumer data and information.

The Sandbox encourages innovation that can improve the design and delivery of payment services and is therefore, also suitable for proposed products, services or solutions that are either not contemplated under the prevailing laws and regulations, or do not precisely align with existing regulations.

The CBN reserves the right to provide further support by relaxing specific regulations within the period of operations in the sandbox. Upon completion and on exiting the sandbox, the successful entity is expected to meet relevant legal and regulatory requirements.

Innovative products or services previously rejected shall be considered for sandbox trials on a case by case basis. However, products and services that are outrightly unlawful under the laws of the Federal Republic of Nigeria shall not qualify for sandbox trials.

1.3 ELIGIBILITY OF SANDBOX PARTICIPANTS

The eligibility criteria for applicants is as follows:

- (a) The product, service or solution is innovative with clear potential(s) to:
 - i. Improve accessibility, customer choices, efficiency, security and quality in the provision of financial services; or
 - ii. Enhance the efficiency and effectiveness of Nigerian Financial Institutions management of risks; or
 - iii. Address gaps in or open up new opportunities for financial benefits or investments in the Nigerian economy.
- (b) Ensure that applicants will provide the proposed project within a limited transaction (value and volume) for better risk management and mitigation. The limits shall not be exceeded during the testing period.
- (c) The applicant has conducted an adequate and appropriate assessment to demonstrate the usefulness and functionality of the product, service or solution and identified the associated risks which should be devoid of adverse effect to existing structures and consumer experience;
- (d) The applicant has the necessary resources to support testing in the sandbox. This includes the required resources and expertise to mitigate and control potential risks and losses arising from offering of the product, service or solution;
- (e) The applicant should have a business plan to show that the product, service or solution can be successfully deployed after exit from the sandbox;

1.4 PARTICIPANTS IN THE SANDBOX OPERATIONS

The Sandbox application process is open to both existing CBN licensees (financial institutions with FinTech initiatives) and other local companies. The latter may include

financial sector companies as well as technology and telecom companies intending to test an innovative payments product or service industry deemed acceptable by the CBN.

Others that can also apply include: Those proposing non-regulated financial products and services using emerging technologies, i.e., Innovators whose proposed solution involves technologies which are currently not covered under existing CBN regulations.

1.5 RISK ASSESSMENTS AND SAFEGUARDS

1.5.1 An applicant shall identify the potential risks to financial institutions and financial consumers that may arise from the testing of the product, service or solution in the sandbox and propose appropriate safeguards to address the identified risks.

1.5.2 In assessing the risks and evaluating the proposed safeguards, the Bank will give due regard to the following:

- a. Preserving sound financial and business practices consistent with monetary and financial stability;
- b. Promoting the fair treatment of consumers;
- c. Compliance with AML/CFT regulations;
- d. Protecting the confidentiality of customer information;
- e. Promoting the safety, reliability and efficiency of payment systems and payment instruments;
- f. Encouraging healthy competition for financial products and services.

2.0 APPLICATION AND APPROVAL REQUIREMENTS

Applications to the sandbox process would involve an invitation placed on the CBN website, and local newspaper advertisement. The details of the advert would include the minimum eligibility criteria to shortlist applicants who qualify to be absorbed into the sandbox. Receipt of application shall be acknowledged to applicants within 5 working days after submission.

Firms wishing to enter into the CBN's Regulatory Sandbox shall apply to the CBN through the Regulatory Sandbox online application platform accessed via the CBN's official email address - Sandbox@cbn.gov.ng. The application must be submitted with a cover letter signed by an authorised signatory of the entity and addressed to the *Director, Payments System Management Department, Central Bank of Nigeria, Abuja.*

The Bank will inform an applicant of its eligibility and approval to participate in the sandbox, 45 working days after the closure of the application window. A Letter of Approval (LoA) would be issued to the Innovator which would allow Sandbox participants to test their innovation upon entry into the sandbox.

2.1 DOCUMENTARY REQUIREMENTS

All application trials into the Sandbox shall be accompanied with the following:

- i. Board Approval (where applicable)
- ii. Certificate of Incorporation
- iii. The company profile and functional contact: e-mails, telephone numbers, office and postal addresses
- iv. Memorandum of Association Shareholding structure of the Company
- v. Forms CAC 1.1 (Application for Registration)
- vi. CVs of Board and Management of the Company
- vii. Organogram of the Company
- viii. Project plan alongside a detailed business proposal
- ix. Key outcomes that the testing is intended to achieve
- x. A document that shall outline the strategy of the sandbox trials including current and potential engagements, geographical spread and benefits to be derived
- xi. AML/CFT Policy
- xii. Evidence of patent certificates or registration of patent rights, where applicable
- xiii. All firms shall supply any other information that the CBN may require from time-to-time.

3.0 OPERATIONAL REQUIREMENTS

The CBN operational requirements of the Sandbox would cover, at least, the following phases:

1. Filing requirements.
2. Reporting requirements while in the Sandbox.
3. Exit conditions and approval for expiration, and/or
4. Evaluation and Review of an approval.

3.1. FILING REQUIREMENTS

3.1.1 After the issuance of Letter of Approval, the Bank will engage the admitted participants on the following:

- a. Testing parameters such as the scope and duration of the test, regulatory flexibilities requested and frequency of reporting;
- b. Specific measures to determine the success or failure of the test at the end of the testing period;
- c. An exit strategy should the test fail; and
- d. The next steps the firm would take if the test is successful.

3.1.2 In addition to the above, participants prior to entry, shall include the following in the filing requirements:

- a. A brief description of the Participant's organization, including its financial standing, technical and business domain expertise;
- b. A brief description of the financial service to be experimented on, in the Sandbox;
- c. A description of how the Participant has met the Eligibility Criteria described in Section 1.3 with supporting evidence;
- d. A disclosure of the boundary conditions for the Sandbox such as start and end dates, target volunteer customer types, customer limits, transaction thresholds, cash holding limits, and so on;
- e. An assessment of the Participant's readiness for testing which shall include customer safeguards and testing plans;
- f. Test scenarios shall include a quantification of the maximum potential direct and indirect losses and impact of the experiment;
- g. A description of the customer communications plan, shall include risk disclosures and material information about the company and the Sandbox;
- h. A description of the targets and key performance indicators, which will be used to determine the success of the experiment;
- i. A description of information and cyber security and other relevant measures taken by the Participant to ensure maintaining safety of the solution;

- j. A description of any third-party outsourcing arrangement including the due diligence conducted by the Participant on the third party to ensure information and cyber security; and
- k. An assessment of the exit plan, scale-up and deployment strategy, along with an assessment of the timeline and gaps if any in meeting any heightened legal and regulatory requirements after exiting the Sandbox.

3.2. REPORTING REQUIREMENTS WHILE IN THE SANDBOX

1. Entities shall put in place testing parameters to limit risks to the financial system and for the consumers, while achieving effective testing processes.
2. The participants shall set consumer protection safeguards, to guarantee consumer protection. Consequently, consumers participating in the testing phase need to be made aware of their rights and especially, be provided with information and contact details of the sandbox to report any complaint or problem they experience.
3. The participants shall ensure proper maintenance of records during the testing period for a maximum of 5 years, to support reviews of the test by the Bank.
4. The participant shall submit periodic reports to the Bank on the progress of the test, which includes information on the following:
 - a) Key performance indicators, key milestones and statistical information;
 - b) Key issues arising as observed from fraud or operational incident reports;
 - c) An updated risk register including possibility and treatment of any emerging risk(s);
 - d) Details on any audits conducted (and where applicable, submission of signed audit reports;
 - e) Customer satisfaction report, including complaints – if any;
 - f) A detailed log of operational or technical incidents – (if any) and steps taken to address the same; and
 - g) Actions or steps taken to address the key issues referred to in *Section 3.1*.
5. The participants shall submit a final report containing the following information to the Bank within 30 calendar days from the expiry of the testing period:
 - (a) Key outcomes, key performance indicators against agreed measures for the success or failure of the test and findings of the test;

- (b) A full account of all incident reports and resolution of customer complaints; and
 - (c) In the case of a failed or unsuccessful test, lessons learnt from the test and how the firm tends to wind down the test.
6. The periodic and final reports shall be confirmed by the Chief Executive Officer (CEO) of the company.

3.3 CONDITIONS FOR EXTENSION AND EXIT FROM THE SANBOX

1. The application should explicitly indicate the initial testing timeline (in months) for the proposed test. To extend the testing period, a written application must be submitted by the participants to the Bank no later than 30 calendar days before the expiry of the testing period.
2. The application should state the additional time required and clearly explain reasons for requiring the extension.
3. To minimize market distortion, the Bank will not generally approve a protracted extension of the testing period unless the solution has been tested positively in general and it can be demonstrated that the extended testing is necessary to respond to specific issues or risks identified during initial testing.
4. Upon the completion of a sandbox test, the Bank will decide whether the product, service or solution should be introduced into the market.
5. Innovators must compare the results of their test against its original objectives and specify whether and how they intend to scale-up the technology tested: e.g., direct to consumers or, licensing it to other firms, or establishing new partnerships with other CBN-licensed firms, etc.
6. The Bank may also prohibit deployment of the product, service or solution in the market upon the completion of the testing due to the following reasons:
 - (a) In the event of an unsuccessful testing based on agreed test measures; or
 - (b) The product, service or solution has unintended negative consequences for the public and/or financial stability.
7. Where a participant opts to discontinue in the sandbox, it may do so in writing, seeking the consent of the Bank. The Bank's consent shall be based on the effective closure of any outstanding regulatory obligations and consumer related matters, that may have arisen from the participant's sandbox operations.

8. The Bank may provide support for a successful participant for the purpose of obtaining requisite licence in the following ways:

- a) Providing guidance in filing their applications for licence.
- b) Advising on options for addressing identified risk issues.

3.4 EVALUATION AND REVIEW OF AN APPROVAL

3.4.1 The CBN may evaluate and review an approval to participate in the sandbox at any time before the end of the testing period if the participant:

- (a) Fails to carry out the safeguards referred to in Sections 1.5 and 7.0.
- (b) Submits false, misleading or inaccurate information, or has concealed or failed to disclose material facts in its application;
- (c) Contravenes any applicable law administered by the Bank or any applicable law in Nigeria or abroad which may affect the participant's integrity and reputation;
- (d) Is undergoing or has gone into liquidation;
- (e) Breaches data security and confidential requirements;
- (f) Carries on business in a manner detrimental to consumers or the public at large; or
- (g) Fails to effectively address any technical defects, flaws or vulnerabilities in the product, service or solution which gives rise to recurring service disruptions or fraud incidents.

3.4.2 Before reviewing an approval to participate in the sandbox, the Bank will:

- (a) Give the participant 45 days' notice in writing of its intention to review the approval; and provide an opportunity for the participant to respond to the Bank on the grounds for review.
- (b) Where any delay in reviewing the approval would be detrimental to the interests of the participant, their customers, the financial system or the public generally, the CBN may review the approval immediately and provide the opportunity for participant to respond after the effective date of review. If the response is accepted by the Bank, the Bank may reinstate the approval to participate in the sandbox.

3.4.3 Upon the review and evaluation of an approval, the participant must:

- (a) Immediately implement its exit plan to cease the provision of the product, service or solution to new and existing consumers;

- (b) Provide notification to customers informing them of the cessation and their rights to redress where relevant;
- (c) Comply with obligations imposed by the CBN to dispose of all confidential information including customer personal information collected over the duration of the testing;
- (d) Submit a report to the Bank on the actions taken within 30 working days after review.

4.0 SANDBOX COHORTS

The term cohort refers to the group of innovators that share the characteristic of having been allowed to enter the Sandbox at the same time for the same period.

There will be one cohort per year named after the year in which the cohort was accepted (for example: 2019 Cohort). Application windows for a given cohort as well as list of the firms included in that cohort would be published on the Bank's website.

The number of innovators to be accepted into a cohort is a function of the Bank's resource capacity to support innovators. Typically, a cohort will be made up of a predetermined number of innovators, as the type of innovators to be accepted into a cohort is based on the sandbox eligibility criteria and on the sandbox strategic objectives.

5.0 RESPONSIBILITIES OF THE CENTRAL BANK OF NIGERIA

The CBN shall be responsible for:

- i. Issuance of the Regulatory Framework for Sandbox Operations;
- ii. Admitting all eligible participants into the Sandbox process;
- iii. Issuance of a Letter of Approval (LoA) for entry into the sandbox;
- iv. Communication of the Bank's decision on the outcome of the participants in the sandbox test;
- v. Issuance of an Approval-in-Principle (AIP) in order to deploy its digital solution to the market, subject to the participants being able to meet CBN's licensing requirements;
- vi. Ensuring that the objectives of the Sandbox are fully achieved;
- vii. Conducting oversight on Sandbox participants' operations and systems;
- viii. Monitoring other stakeholders to ensure compliance;
- ix. Issuing circulars to regulated institutions on the operations of the Sandbox;

- x. Reviewing this framework for the operations of the Sandbox from time to time;
- xi. Apply appropriate sanctions for non-compliance where needed;
- xii. The Director, Payments System Management Department of the CBN shall review cases referred to it before issuance of an operating licence or a formal clearance to an entity/participant for the purpose of delisting from the Sandbox.

6.0 RESPONSIBILITIES OF PARTICIPANTS

The participants in the Sandbox shall:

- i. Be responsible for monitoring and supervising the activities of its operations and staff.
- ii. Have information on the tests carried out for each type of service or innovation;
- iii. Monitor effective compliance with set limits and establish other prudential measures in each case;
- iv. Take all other measures to enable it to operate strictly within the requirements of this Framework.
- v. May leverage APIs available from other CBN licensed institution's innovation sandboxes.

The Bank encourages innovation; thus, participants may leverage the sandbox of other regulators to the extent of the segment of their products that falls within the jurisdiction of the other regulator.

7.0 POSITIONING OF CUSTOMER SAFEGUARDS

As part of the evaluation phase, the Bank and Innovator shall agree on the set of consumer safeguards in order to mitigate the risk to consumers participating in the testing exercise. While the measures are bespoke to each test, it will depend on the nature of the risks identified, and will be proportionate to the impact and probability of the risks occurring or causing consumer disadvantage.

While the list is inexhaustive, below are examples:

- i. Limitations on the number and type of customer(s)/clients that will participate in the test.
- ii. Limitations on the type and size of transactions.
- iii. Extra requirements related to the participants Fintech company handling and protecting of consumer data, in line with extant laws and regulations.

- iv. Providing adequate disclosure of the potential risks to customers participating in the sandbox and confirmation from such customers that they fully understand and accept the attendant risks.
- v. Limiting the duration of the testing period to a maximum of six (6) months cohort basis, or promptly asking for an extension when needed.
- vi. Providing a consumer redress mechanism, including the possibility for financial compensation for sandbox participants whose data may be harmed in a test under clearly specified circumstances; the Bank shall review all cases handled through the Consumer Redress Mechanism handled by the participant to measure fairness.
- vii. In the event the customer is not satisfied with a resolution of the participant, such issues may be escalated to the Sandbox Innovation Office.
- viii. Committing adequate and competent resources to undertake the testing and implement risk mitigation solutions that have been proven to be effective in containing the consequences of failure.
- ix. Requirements to carry out system penetration simulations.
- x. Requirements to obtain consumers' prior verifiable consent to the participation in the test.
- xi. Restriction or prohibition to hold or control client money or financial assets.
- xii. Sandbox participants should allow its customers opt out of the test provided they abide with disclosure non-disclosure agreements.

8.0 CONFIDENTIALITY

1. Participants shall decide which ideas to discuss, and the extent of details to be disclosed to other participants in the Sandbox.
2. Participants are required to keep confidential all information disclosed by one party (the Disclosing Participant) to the other participant (the Receiving Participant) during Sandbox events, whether that information is disclosed verbally, in writing or in any other form and whether or not expressly stated to be confidential (confidential information).
3. The Receiving Participant shall not use the confidential information of any Disclosing Participant to develop content, products, services, technologies or applications, or otherwise other than with the consent of the Disclosing Participant concerned.
4. If requested by the Disclosing Participant, the Receiving Participant shall destroy or return all the confidential information disclosed during the Sandbox operations.

5. For the purposes of this Section, confidential information will not include information that is publicly available or has been independently developed without reference to the confidential information shared within the Sandbox, as demonstrated by reasonable written evidence.
6. The copyright, database rights, trade marks, designs, patents and other intellectual property (IP) arising in any confidential information existing prior to commencement of the Sandbox operations, or subsequently created exclusively by any participant (without reference to the confidential information of, or assistance from, other participants), shall be owned exclusively by that participant.
7. IP created by any participant by reference to the confidential information of, or in conjunction with, other participants shall be owned jointly by those participants. This means that the affected participants will not be able to copy, use or exploit that joint IP without the consent of the others involved in creating that joint IP.
8. Participants shall be aware that disclosures of a detailed nature relating to new inventions may prejudice the ability to obtain patent protection for these inventions at a later date. To that end, whilst participants are encouraged to share and shape ideas, detailed disclosures relating to processes or specifications should be reserved until the IP is registered and protected.

Address all enquiries to:

**The Director,
Payments System Management Department,
Central Bank of Nigeria, Corporate Headquarters
Central Business District, Abuja.
Tel. No: +234(0)946238346**

**PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
JANUARY 2021**

GLOSSARY OF TERMS

Sandbox: a sandbox is a closed testing environment designed for experimenting safely with web or software projects.

Participants: Participants are those given a Letter of Approval (LoA) to participate in the Sandbox.

Letter of Approval (LoA): This is a Letter issued to the Innovator which would allow Sandbox participants to test their innovation upon entry into the sandbox.

Cohort: it is the group of innovators that share the characteristics of having been allowed into the sandbox at the same time or period.

Customer Safeguards: are a set of prohibitions, limitations and conditions that the Bank may ask the innovator to put in place in order to ensure an appropriate degree of customer protection, as well as the integrity and soundness of the financial services market throughout the test period.

FinTech: technology-enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services.

The Bank: this refers to The Central Bank of Nigeria (CBN)



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PSM/DIR/CON/CWO/16/126

December 18, 2020

**TO: ALL DEPOSIT MONEY BANKS (DMBs), PAYMENT SERVICE PROVIDERS (PSPs)
AND INTERNATIONAL MONEY TRANSFER OPERATORS (IMTOs)**

Dear Sir/Ma,

**RECEIPT OF DIASPORA REMITTANCES: ADDITIONAL OPERATIONAL
GUIDELINES 2**

Further to the circular to IMTOs and PSPs on "Receipt of Diaspora Remittances: Additional Operational Guidelines", referenced PSM/DIR/CON/CWO/16/119 and dated December 16, 2020, the Central Bank of Nigeria further directs as follows:

1. DMBs are to close all Naira accounts for IMTOs. This is to ensure that all diaspora remittances are received by beneficiaries in foreign currency only (cash and/or transfers to domiciliary accounts of recipients)
2. DMBs are permitted to open new Opex accounts for the purposes of the IMTO operations, such as salary payments and other operating expenses excluding diaspora remittance receipts.
3. DMBs must ensure that proper audit of IMTO accounts is done to forestall further use of Naira accounts for diaspora remittance purposes.

This takes effect immediately.

Please ensure strict compliance and be guided accordingly.

**Director, Banking Supervision
Department**

**Director, Payments System Management
Department**



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PSM/DIR/CON/CWO/16/119

December 16, 2020

TO: Circular to International Money Transfer Operators (IMTOs) and Payment Service Providers (PSPs)

Dear Sir/Ma,

RECEIPT OF DIASPORA REMITTANCES: ADDITIONAL OPERATIONAL GUIDELINES

Following the recent policy pronouncements on amendments to procedures for receipt of diaspora remittances, the Central Bank of Nigeria (CBN) notes material compliance by majority of market participants as beneficiaries of remittances through IMTOs now receive foreign currency through their designated banks. However and regrettably, a few operators continue to pay remittances in local currency contrary to the regulatory directive. The CBN frowns at this practice.

In the light of this, the CBN hereby provides the following additional operational guidelines:

1. Switches and Processors should immediately cease all local currency transfers in respect of foreign remittances through IMTOs.
2. All MMOs are required to immediately disable wallets from receipt of funds from IMTOs.
3. Payment service providers are directed to cease integrating their systems with IMTOs going forward and must prevent comingling of remittances with other legitimate transactions.



4. All IMTOs are required to immediately disclose to beneficiaries that they exercise discretion to receive transfer in foreign currency cash or directly into their domiciliary accounts.
5. A central reporting portal for all foreign remittances to be managed by the Nigerian Interbank Settlement System (NIBSS) is currently under development to improve visibility of foreign remittance flows.

All licensed institutions are required to comply with the foregoing guidelines as contraventions will attract stiff regulatory sanction including **revocation of license**.

The CBN remains committed to promoting transparency in the administration of diaspora remittances into Nigeria and will continue to enforce policies that will stabilize and deepen the Nigeria foreign exchange market.

A handwritten signature in black ink, appearing to be 'S. O.', is positioned above the title of the Director, Trade and Exchange Department.

**Director, Trade and Exchange
Department**

A handwritten signature in black ink, appearing to be 'M. O.', is positioned above the title of the Director, Payments System Management Department.

**Director, Payments System Management
Department**



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psm@cbn.gov.ng
web-site: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AQ
P.M.B. 0187, Garki
Abuja.

PSM/CIR/GEN/CIR/01/22

9th December 2020

To: Circular to all Payment Service Providers, Banks and Other Financial Institutions.

NEW LICENCE CATEGORISATIONS FOR THE NIGERIAN PAYMENTS SYSTEM

The Central Bank of Nigeria (CBN) in line with its commitment to promote a strong and credible payment system has approved new licence categorisations for the payments system.

The new licencing framework, details of which are provided in Appendix 1, offers clarity for new and existing market participants given the significant evolution and innovation in the Nigerian payments system.

All payment service providers and other stakeholders are invited to note the following in this regard:

1. Payments system licensing has been streamlined according to permissible activities in four broad categories:
 - a. Switching and Processing
 - b. Mobile Money Operations (MMOs)
 - c. Payment Solution Services (PSSs)
 - d. Regulatory Sandbox
2. Only MMOs are permitted to hold customer funds. Companies with licences within any of the other categories are not permitted to hold customer funds.

Page 1 of 4



3. Companies seeking to combine activities under the Switching and MMO categories are only permitted to operate under a holding company structure with the subsidiary entities clearly delineated to prevent comingling.
4. Payments System companies in the PSS category may hold any of PSSP, PTSP and Super Agents licence or a combination of the licences thereof.
5. All licensed payment service providers in any of the categories covered by this framework holding or seeking any other CBN issued licences are required to obtain a no-objection from the Payments System Management Department
6. The object clauses in the Memorandum and Articles of Association of Payment Service Providers shall be limited to the permissible activities under their licensing authorizations.
7. Collaborations between licensed payment companies, banks and other financial institutions in respect of products and services are subject to CBN's prior approval.
8. All new licensing requests including those with Approvals-in-Principle are to comply with the new requirements immediately. Existing licensed payment companies are to comply with the new licensing requirements where applicable not later than end-June 2021.

All payment service providers and stakeholders in the payments system are required to ensure strict compliance with these requirements and all other payments system regulations.

A handwritten signature in black ink, appearing to be 'M. O. A.', is located below the text.



The CBN will continue to monitor developments in the payments system and issue guidance as may be appropriate.

A handwritten signature in black ink, appearing to read 'Musa I. Jimoh'.

Musa I. Jimoh
Director, Payments System Management Department

APPENDIX 1

PAYMENTS SERVICE PROVIDERS LICENSING FRAMEWORK-
PERMISSIBLE ACTIVITIES AND MINIMUM CAPITAL REQUIREMENT

| License category | Permissible Activities | Minimum Capital * |
|---|--|-------------------|
| Regulatory Sandbox | As determined in the Sandbox. The Regulatory Sandbox Category is aimed at stimulating innovation and deepening financial inclusion. To this end, the CBN shall review the products and solutions of applicants (licensed institutions, fintechs, innovators and researchers) during its implementation. | Not Applicable |
| Payment Solution Services (PSSs) | As permissible under Super Agents, PTSPs and PSSPs | N250 million |
| Super-Agent | Agent recruitment, management and other activities as specified in the Regulatory Framework for Licensing Super Agents in Nigeria | N50 million |
| Payment Terminal Service Provider (PTSP) | POS Terminal deployment and services, POS Terminal ownership, PTAD, Merchant/agent training and support | N100 million |
| Payment Solutions Service Provider (PSSP) | Payment processing gateway and portals, Payment solution/application development, Merchant Service aggregation and collections | N100 million |
| Mobile Money Operation | E-Money issuing, wallet creation and management, pool account management Activities as permissible under Super-Agent | N2 billion |
| Switching and Processing | Switching, Card Processing, Transaction clearing and Settlement Agents Services, non-bank acquiring services. Activities as permissible under Super-Agent, PTSP and PSSP. | N2 billion |

*Licensees will be required to maintain minimum capital equal to the higher of the amount stated in the table above or other capital as determined within the CBN's risk based supervisory framework





CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

PSM/DIR/CON/CWO/07/127

May 29, 2020

Letter to all Banks and Payments Service Providers.

REDUCTION OF CHARGEBACK PERIOD FOR ATM, POS AND WEB TRANSACTIONS IN THE GUIDELINES FOR THE OPERATION OF ELECTRONIC PAYMENT CHANNELS

The Central Bank of Nigeria (CBN) has over time implemented far-reaching reforms of the Nigerian payment system aimed at enhancing resilience of payment system infrastructure and expansion of electronic payment options. The industry continues to evolve following the implementation of these reforms with increasing availability of ATMs and other electronic payment channels.

Whilst the adoption of innovative solutions by industry players have resulted in expanded access to digital financial services, the CBN recognises the need for further enhancements to the payment system infrastructure and processes to improve service quality for users.

In consideration of the above, the CBN has reviewed its Guidelines for the Operation of Electronic Payment Channels and accordingly requires banks and payment service providers to resolve customer chargeback complaints on electronic channels within the following revised timelines effective June 8, 2020:

1. The reversal of failed on-us ATM transactions (failed transactions when customers use their cards on their bank's ATMs) shall be instant from current timeline of 3 days. However, where instant reversal fails due to technical issues of system glitches, the timeline for manual reversal shall not exceed 24 hours.
2. Timeline for refunds on failed not-on-us ATM transactions (failed transactions when customers use their cards on other bank's ATMs) shall not exceed 48 hours from current 3-5 days.
3. Refunds on disputed/failed POS/Web transactions shall be treated within 48 hours from current 5 days.

Participants in the payments system are also required to comply with the following additional requirements:

Page 1 of 2

- a) All Switches are to adjust the chargeback cycle in their dispute resolution systems to 24 hours from 72 hours
- b) All Acquirer-initiated refunds shall henceforth be initiated by all banks within 48 hours.
- c) Processors are to provide daily settlement reports latest 8 a.m. on a T+1 basis.
- d) NIBSS shall send daily reports on reversals to processors on or before 10 pm each day

All banks are to clear backlog of all ATM customer refunds within one (1) week and within two (2) weeks for POS & Web customer refunds effective June 8, 2020

Failure to adhere to the above service level agreements will attract appropriate penalties. Please refer to the updated Guidelines for the Operation of Electronic Payment Channels for further details.

The CBN will continue to monitor developments and will issue appropriate directives in its quest to improve quality and efficiency in the Nigerian payment system.

Be guided accordingly.



Musa I. Jimoh
Director, Payments System Management Department



CENTRAL BANK OF NIGERIA

GUIDELINES ON OPERATIONS OF ELECTRONIC PAYMENT CHANNELS IN NIGERIA

GUIDELINES ON OPERATIONS OF ELECTRONIC PAYMENT CHANNELS IN NIGERIA

Sections/Table of Contents

| | |
|---|-----------|
| PREAMBLE | 1 |
| 1. GUIDELINES ON AUTOMATED TELLER MACHINE (ATM) OPERATIONS | 1 |
| 1.1 The Standards | 1 |
| 1.1.1 Standards on ATM Technology and Specification | 1 |
| 1.2 The Guidelines | 2 |
| 1.3 ATM Operations | 3 |
| 1.4 ATM Maintenance | 6 |
| 1.5 ATM Security | 6 |
| 1.6 Dispute Resolution | 7 |
| 1.7 Regulatory Monitoring | 8 |
| 1.8 Penalties | 8 |
| 2.0 GUIDELINES ON POINT OF SALE (POS) CARD ACCEPTANCE SERVICES | 9 |
| 2.1 Objectives | 9 |
| 2.2 Point of Sale Card Acceptance Services Stakeholders | 9 |
| 2.3 Minimum Standards | 9 |
| 2.4 Roles and Responsibilities of: | 10 |
| 2.4.1 Merchant Acquirers | 10 |
| 2.4.2 Payment Terminal Services Provider (PTSP) | 12 |
| 2.4.3 PoS Terminal Owner | 14 |
| 2.4.4 Payments Terminal Service Aggregator (PTSA) | 14 |
| 2.4.5 Merchants | 16 |
| 2.4.6 Cardholders | 16 |
| 2.4.7 Card Schemes | 18 |
| 2.4.8 Switching Companies | 18 |

| | | |
|-------|--|----|
| 2.5 | <i>Settlement Mechanism</i> | 19 |
| 2.6 | <i>Fees and Charges</i> | 19 |
| 2.7 | <i>Transition to Achieve Interoperability</i> | 20 |
| 2.8 | <i>Exclusivity Agreements</i> | 20 |
| 2.9 | <i>Minimum POS Terminal Specifications</i> | 21 |
| 2.10 | <i>Compliance</i> | 21 |
| 3.0 | GUIDELINES ON MOBILE POINT OF SALE (MPOS) ACCEPTANCE SERVICES | 22 |
| 3.1 | <i>Objectives</i> | 22 |
| 3.2 | <i>Minimum Standards</i> | 22 |
| 3.3 | <i>mPOS Stakeholders</i> | 23 |
| 3.4 | <i>Roles and Responsibilities of:</i> | 23 |
| 3.4.1 | <i>Acquirers</i> | 23 |
| 3.4.2 | <i>Issuers</i> | 26 |
| 3.4.3 | <i>Payments Terminal Service Aggregator (PTSA)</i> | 26 |
| 3.4.5 | <i>Merchants</i> | 27 |
| 3.4.6 | <i>Cardholders/Users</i> | 28 |
| 3.4.7 | <i>Card Schemes</i> | 29 |
| 3.4.8 | <i>Switches (Switching Companies)</i> | 30 |
| 3.5 | <i>Settlement Mechanism</i> | 30 |
| 3.6 | <i>Fees and Charges</i> | 31 |
| 3.7 a | <i>Transition to Achieve Interoperability</i> | 31 |
| 3.8 | <i>Exclusivity Agreements</i> | 32 |
| 3.9 | <i>Minimum mPOS Technical Specifications</i> | 32 |
| 3.10 | <i>Consumer Protection/Dispute Resolution</i> | 32 |
| 3.11 | <i>Compliance</i> | 33 |
| 4.0 | GUIDELINES ON WEB ACCEPTANCE SERVICES | 34 |
| 4.1 | <i>Scope of the Guidelines</i> | 34 |

| | | |
|-------|--|----|
| 4.2 | <i>Objectives</i> | 34 |
| 4.3 | <i>Minimum Standards for Web Acquiring</i> | 34 |
| 4.4 | <i>Stakeholders</i> | 35 |
| 4.5 | <i>Roles and Responsibilities of Stakeholders</i> | 35 |
| 4.5.1 | <i>Acquirer</i> | 35 |
| 4.5.2 | <i>Merchants</i> | 36 |
| 4.5.3 | <i>Issuer</i> | 37 |
| 4.5.4 | <i>Payments Gateway Provider</i> | 38 |
| 4.5.5 | <i>Cardholder</i> | 39 |
| 4.6 | <i>Settlement Mechanism</i> | 39 |
| 4.7 | <i>Fees</i> | 39 |
| 4.8 | <i>Consumer Protection/Dispute Resolution</i> | 40 |
| 4.9 | <i>Chargeback Period for ATM, POS and Web Transactions</i> | 41 |
| 4.10 | <i>Compliance</i> | 41 |
| 5.0 | DEFINITION OF TERMS | 41 |

Preamble

In exercise of the powers conferred on the Central Bank of Nigeria (CBN) by Sections 2 (d) and 47 (2) of the CBN Act, 2007, to promote and facilitate the development of efficient and effective systems for the settlement of transactions, including the development of electronic payment systems; the CBN hereby issue the following Guidelines on Operations of Electronic Payment Channels in Nigeria.

These Guidelines supersede the Guidelines on Operations of Electronic Payment Channels in Nigeria (2016), issued by the CBN.

1. GUIDELINES ON AUTOMATED TELLER MACHINE (ATM) OPERATIONS

1.1 *The Standards*

1.1.1 Standards on ATM Technology and Specification:

- a. All ATM deployers/acquirers shall comply with Payment Card Industry Data Security Standards (PCI DSS)
- b. All ATMs shall be able to dispense all denominations of Naira.
- c. For deposit taking ATMs, acceptable denominations shall be displayed by the deployer.
- d. All terminals shall be levels 1 & 2 EMV compliant at a minimum, and shall be upgraded from time to time, to comply with the latest version, within twelve months of release of the version.
- e. All ATM systems shall have audit trail and logs capabilities, comprehensive enough to facilitate investigations, reconciliation and dispute resolution.
- f. Card readers shall be identified by a symbol that:

- i. represents the card;
 - ii. identifies the direction for which the card should be inserted into the reader
 - iii. All new ATMs shall accept card horizontally with the chip upwards and to the right
- g. 2% of ATMs deployed by each acquirer shall have tactile graphic symbol for the use of visually impaired customers. Locations of such ATMs are to be visibly publicized on their corporate website at the minimum. This should be complied with within five years from the release of these standards.

1.2 The Guidelines

ATM deployment

- a. All Banks or independent ATM deployers may own ATMs; however such institutions must enter into an agreement with a card scheme or a scheme operator or their designated settlement agent for acceptance and settlement of all the transactions at the ATM.
- b. All ATM transactions in Nigeria shall be processed by a Nigerian company operating in Nigeria as acquirer-processor.
- c. No card or payment scheme shall compel any issuer or acquirer to send any transaction outside Nigeria for the purpose of processing, authorization or switching, if the transaction is at an ATM or at any acceptance device in Nigeria and the issuer is a Nigerian bank or any other issuer licensed by the CBN.
- d. All transactions at an ATM in Nigeria shall, where the issuer is a Nigerian bank or any other issuer licensed by the CBN be settled under a domestic settlement arrangement operated by a Nigerian Company. All collaterals for such transactions shall be in Nigerian National Currency and deposited in Nigeria.
- e. No card scheme shall discriminate against any ATM owner or acquirer. Every card-scheme must publish for the benefit of every ATM owner or

acquirer and the Central Bank of Nigeria, the requirements for acquiring ATM transactions under the card scheme.

- f. No ATM owner or acquirer shall discriminate against any card scheme or issuer.
- g. Stand-alone or closed ATMs are not allowed.
- h. ATMs should be situated in such a manner as to permit access at reasonable times. Access to these ATMs should be controlled and secured so that customers can safely use them.
- i. Lighting should be adequate for safe access and good visibility. It should provide a consistent distribution and level of illumination, particularly in the absence of natural light.
- j. ATMs should be sited in such a way that direct or reflected sunlight or other bright lighting is prevented from striking the ATM display, for example, through the use of overhead sun shelter
- k. Privacy shall be provided by the design and installation features of the ATM so that in normal use the cardholder does not have to conspicuously take any protective action.
- l. All ATMs shall accept all cards issued in Nigeria under CBN regulations for any card-based value-added service made available on the machine.

1.3 ATM Operations:

A bank or independent organization that deploys an ATM for the use of the public shall ensure that:

- a. The ATM downtime (due to technical fault) is not more than seventy-two (72) hours consecutively, where this is not practicable, customers shall be duly informed by the deployer;
- b. The helpdesk contacts are adequately displayed at the ATM terminals. At the minimum, a telephone line should be dedicated for fault reporting and

such telephone line shall be functional and manned at all times that the ATM is operational.

- c. All ATM charges are fully disclosed to customers.
- d. The ATMs issue receipts, where requested by a customer, for all transactions, except for balance enquiry, stating at a minimum, the amount withdrawn, the terminal identity, date and time of the transaction.
- e. Receipt prints and screen display are legible. The dispensing deposit and recycling component of the machine is in proper working condition.
- f. Cash retraction shall be disabled on all ATMs.
- g. There is appropriate monitoring mechanism to determine failure to dispense cash.
- h. There is online monitoring mechanism to determine ATM vault cash levels.
- i. ATM vault replenishment is carried out as often as necessary to avoid cash-out.
- j. ATMs are not stocked with unfit notes.
- k. Cash is available in the ATMs at all time. The funding and operations of the ATM deployed by non-bank institutions should be the sole responsibility of the bank or institutions that entered into agreement with them for cash provisioning. In this regard, the Service Level Agreement (SLA) should specify the responsibilities of each of the parties.
- l. Change of PIN is provided to customers, free of charge.

- m. Acquirers monitor suspicious transactions and report same to CBN, based on the agreed format and timeframe.
- n. Back-up power (inverter) is made available at all ATM locations, in such a way that the machine would not cease operation while in the middle of a transaction.
- o. Paper disposal basket is provided at all ATM locations
- p. A register of all their ATMs in Nigeria with location, identification, serial number of the machines, etc is maintained.
- q. Provision is made for extending the time needed to perform a specific step by presenting a question, such as, "Do you need more time?"
- r. Information sufficient to construct a usable card is not displayed on the screen or printed on a transaction record. This will guard against the possibility that such information may become accessible to another person should the cardholder leave the ATM while a transaction is displayed, or abandon a printed transaction record.
- s. Precautions are taken to minimise the possibility of a card being left, by a message or voice, alerting the customer to take his card.
- t. Cash out first before card is out of the ATM is adopted, to minimise the possibility of customers leaving cash uncollected at ATM.
- u. ATM acquirers shall disable cash-retract and display such notice at the ATM or on the screen.

- v. Acquirers shall reconcile and refund all funds in their possession, belonging to customers as a result of ATM's non-dispense and partial dispense errors.
- w. Acquirers shall also install appropriate mechanism to immediately initiate refunds without the prompting of the issuing bank or the customer.

1.4 ATM Maintenance

A bank or independent organization that deploys an ATM for the use of the public shall ensure that:

- a. Notice is displayed at the ATM for planned maintenance period and disruption to service, due to maintenance for public.
- b. An ATM maintenance register or log is kept properly.
- c. All ATMs and cash in the machines are insured.
- d. They physically inspect their ATMs, at least fortnightly.

1.5 ATM Security

- a. Every ATM shall have cameras, which shall view and record all persons using the machines and every activity at the ATM, including but not limited to: card insertion, transaction selection, cash withdrawal, card taking, etc. However, such cameras should not be able to record the key strokes of customers using the ATM.
- b. Where a surveillance camera is used, it should be kept secret to avoid illegal removal or damage or compromise.

- c. Networks used for the transmission of ATM transactions must be demonstrated to have data confidentiality and integrity
- d. All ATMs must be located in a manner that guarantees safety and security of users and confidentiality of their transactions.
- e. ATMs should not be placed outside buildings, unless such ATM is bolted to the floor and surrounded by structures, to prevent removal.
- f. Additional precaution must be taken to ensure that any network connectivity from the ATM to the bank or switch is protected, to prevent the connection of other devices to the network point.
- g. Where the user of an ATM blocks his image for camera capture, the ATM shall be capable of aborting the transaction.
- h. ATM key management processes must ensure that keys are changed regularly (every year) and the same keys must not be used at multiple ATMs.
- i. ATMs shall be installed with Anti-Skimming devices that would ensure effective mitigation against fraud incidents.

1.6 Dispute Resolution

1. The reversal of failed on-us ATM transactions (failed transactions when customers use their cards on their bank's ATMs) shall be instant.
However, where instant reversal fails due to technical issues of system glitches, the timeline for manual reversal shall not exceed 24 hours.
2. Timeline for refunds on failed not-on-us ATM transactions (failed transactions when customers use their cards on other bank's ATMs) shall not exceed 48 hours.

1.7 Regulatory Monitoring

- a. Any institution which operates an automated teller machine shall file an updated list of such ATMs, including the detail location of their addresses with the Director, Banking & Payments System Department of the Central Bank of Nigeria for compliance monitoring.
- b. The CBN shall conduct onsite checks of ATMs with a view to ensuring compliance with cash and service availability.
- c. Acquirers shall report volume and value of transactions on monthly basis to the Director, Banking & Payments System Department, CBN.

1.8 Penalties

Sanctions, in the form of monetary penalties / or suspension of the acquiring/processing service (s) or both, would be imposed on erring institutions for failure to comply with any of the provisions of this Guidelines, or any other relevant Guidelines, issued by the CBN from time to time.

2.0 GUIDELINES ON POINT OF SALE (POS) CARD ACCEPTANCE SERVICES

2.1 Objectives

These guidelines have been developed to provide minimum standards and requirements for the operation of POS card acceptance services.

2.2 Point of Sale Card Acceptance Services Stakeholders

POS Card Acceptance Services Stakeholders include, but not limited to:

- i. Merchant Acquirers
- ii. Card Issuers
- iii. Merchants
- iv. Cardholders
- v. Card Schemes
- vi. Switches
- vii. Payments Terminal Service Aggregator (PTSA)
- viii. Payments Terminal Service Providers (PTSP)

2.3 Minimum Standards

All industry stakeholders who process and/or store cardholder information shall ensure that their terminals, applications and processing systems comply with the minimum requirements of the following Standards and Best Practices. In addition, all terminals, applications and processing systems, should also comply with the standards specified by the various card schemes. Each vendor must provide valid certificates, showing compliance with these standards, and must regularly review status of all its terminals, to ensure they are still compliant, as standards change. There will be a continuous review and recertification on compliance with these and other global industry standards, from time to time.

2.3.1 PA DSS –Payment Application Data Security Standard.

2.3.2 PCI PED – Payment Card Industry Pin Entry Device.

2.3.3 PCI DSS – Payment Card Industry Data Security Standard.

2.3.4 Triple DES – Data Encryption Standards should be the benchmark for all data transmitted and authenticated between each party. The triple DES algorithm is the minimum standard.

2.3.5 EMV – The deployed infrastructure must comply with the minimum EMV requirements.

2.4 Roles and Responsibilities of:

2.4.1 Merchant Acquirers

2.4.1.1 Only CBN licensed institutions shall serve as Merchant Acquirers.

2.4.1.2 Merchant Acquirers can own POS Terminals, but shall only deploy and support POS terminals through a CBN licensed Payment Terminal Services Provider (PTSP). However, exceptions can be granted by the CBN, where PTSP services are not available.

2.4.1.3 Merchant Acquirers shall ensure that POS terminals purchased and deployed at merchant/retailer locations through CBN licensed Payment Terminal Services Provider shall accept all cards (card agnostic).

2.4.1.4 Merchant Acquirers shall enter into agreements/contracts with merchants for accepting payment by means of electronic payment instrument. All agreements /contracts shall clearly spell out the terms and conditions, including roles, responsibilities and rights of the acquirer and the merchant. The contract should also clearly spell out requirements for the merchant's responsibilities in ensuring proper upkeep of the POS terminal.

- 2.4.1.5 Every Merchant Acquirer shall connect all its PoS terminals or other acquiring devices directly to a Payments Terminal Service Aggregator.
- 2.4.1.6 Merchant Acquirers shall switch all domestic transactions through the preferred local switch of their choice for purpose of seeking authorization from the relevant Issuer and shall not under any circumstance be routed outside Nigeria
- 2.4.1.7 To achieve interoperability, all POS terminals deployed in Nigeria shall accept all transactions arising from any card issued by any Nigerian bank. Accordingly, Acquirers and other service providers shall be card neutral entities that have no reason to promote or favour any card brand over the other.
- 2.4.1.8 Every acquirer must be able to accept all cards issued by Nigerian Banks, whether through a direct license or via an arrangement with any other acquirer that is licensed under the relevant card scheme/association.
- 2.4.1.9 Merchant Acquirers, in conjunction with their Payment Terminal Service Providers, shall be responsible for ensuring that merchants are trained and made to put in place, reasonable processes and systems, for confirming cardholder identity and detecting suspicious or unauthorized usage of electronic payment instruments, where customer/card is physically present at point of sale.
- 2.4.1.10 Merchant Acquirers shall be required to undertake measures to prevent the use of their networks for purposes associated with money laundering and other financial crimes.
- 2.4.1.11 Merchant Acquirers shall conduct proper KYC on all their merchants with POS.

- 2.4.1.12 Merchant Acquirers shall set merchant limits, based on the volume of business/type of commercial activities. In addition, Merchant Acquirers shall provide guidelines to merchants on payment procedures for large ticket transactions e.g. review of Identification, etc.
- 2.4.1.13 Merchant Acquirers shall, in conjunction with banks, switches and other stakeholders, ensure the resolution of disputed/failed POS transactions resolution of disputed transactions between the merchant and the cardholder within 48 hours. All transactions from POS devices shall be routed through the PTSA to the relevant acquirer or its appointed third-party processor. Merchants shall immediately provide evidence to dispute requests from the Acquirers, failure of which their accounts shall be debited for the value of transaction.
- 2.4.1.14 There shall be no exclusivity arrangements that bundle third party switching activities. Each acquirer shall be free to process transactions on its own, or leverage the services of a third-party processor; and these services shall be independent of the switch used to facilitate such exchange.
- 2.4.1.15 Banks shall maintain and reconcile merchant accounts on behalf of the Merchant.
- 2.4.2 Payment Terminal Services Provider (PTSP)**
- 2.4.2.1 To ensure effectiveness of POS operations and a proper support/maintenance infrastructure, only CBN licensed Payments Terminal Service Providers shall deploy, maintain and provide support for POS terminals in Nigeria. PTSPs shall offer services to acquirers, covering all aspects relating to terminal management and support, including, but not limited to purchase and replacement of spare parts, provision of connectivity, training, repairs, and development of value-added services, amongst other things.
- 2.4.2.2 CBN shall license a limited number of Payments Terminal Service Providers, to enable the PTSPs build scale and maximize efficiency.

Criteria for PTSPs shall be defined by CBN, and the performance of licensed PTSPs shall be reviewed annually, to confirm they meet defined performance targets. Licenses of PTSPs that fail to meet performance expectations can be withdrawn and fresh licenses issued to qualifying companies.

- 2.4.2.3 PTSPs can identify merchant opportunities and market potential merchants on behalf of acquirers.
- 2.4.2.4 Only the PTSPs shall be allowed to deploy POS terminals. Any party, other than a PTSP that deploys POS terminals, shall be fined 50,000 Naira per each day that the terminal remains deployed. PTSPs shall clearly agree SLAs on deployment timelines with acquirers, to ensure efficient deployment of POS terminals.
- 2.4.2.5 PTSPs shall ensure that their deployed POS terminals are functional at all times. Appropriate mechanism must be put in place to remotely detect failures, which shall be rectified or replaced within 48 hours.
- 2.4.2.6 All terminals deployed by PTSPs must have stickers with the PTSP's support service contact information. In addition PTSPs must have a support infrastructure that ensures support coverage for merchants, 7 days a week.
- 2.4.2.7 PTSPs will be required to enter into contracts/SLAs with the acquirers that will clearly state the terms and conditions of their support services.
- 2.4.2.8 PTSPs shall work with the PTSA to ensure all POS terminals deployed by them meet all required certifications and the minimum POS specifications, defined in these Guidelines.
- 2.4.2.9 PTSPs shall work with acquirers and the terminal manufacturers to ensure that terminals are phased out/replaced/upgraded as appropriate, as their certifications become obsolete.

2.4.3 PoS Terminal Owner

- 2.4.3.1 Banks, Merchants, Acquirers, and PTSPs can be PoS Terminal Owners.
- 2.4.3.2 PoS Terminal Owners shall ensure all POS terminals procured by them are compliant with the minimum POS specifications.
- 2.4.3.3 PoS Terminal Owners shall cover the costs of repairs and replacements of parts for their terminals.

2.4.4 Payments Terminal Service Aggregator (PTSA)

- 2.4.4.1 The Nigeria Interbank Settlement Systems (NIBSS) - owned by all Nigerian banks and the Central Bank of Nigeria, shall act as the Payments Terminal Service Aggregator for the financial system.
- 2.4.4.2 As the Payments Terminal Service Aggregator for the industry, NIBSS shall establish communication network for reliable POS data traffic, that shall satisfy the service and availability standards and expectations of the industry, on a cost effective basis.
- 2.4.4.3 As the Payments Terminal Service Aggregator for the industry, NIBSS shall, on an annual basis, or more frequently, as may be required, on behalf of the industry, certify POS Terminals that meet the POS Terminal standards, approved for the industry.
- 2.4.4.4 As the Payments Terminal Service Aggregator, NIBSS shall, participate on a joint committee of industry stakeholders, to negotiate a price list with 2 – 3 terminal equipment providers for bulk purchase of POS terminals for the Nigerian market. It is expected that a bulk purchase agreement will enable cost reduction on POS terminals, as well as the ability to define special requirements for the Nigerian market and ensure a sufficient support infrastructure from the terminal manufacturers. Any Terminal Owner may subscribe to the negotiated global price list for the purchase of POS Terminals to take advantage of these benefits.

- 2.4.4.5 As the Payments Terminal Service Aggregator, NIBSS shall be the only entity permitted to operate a Terminal Management System. All POS terminals operating in Nigeria must be connected to the Payments Terminal Service Aggregator. This is to ensure comprehensive oversight, reporting/performance monitoring, and also in line with our objectives of shared industry infrastructure and best practice. NIBSS shall provide Acquirers and Payments Terminal Service Providers and their merchants (where required) the ability to view transactions and monitor performance of their devices.
- 2.4.4.6 All PoS Terminals deployed shall be technically enabled to accept all cards issued by Nigerian banks.
- 2.4.4.7 The Payments Terminal Service Aggregator shall route all transactions from PoS terminals to the relevant Acquirer or its designated third-party processor. This enables Acquirers who are Issuers handle On-Us transactions appropriately and all Acquirers to manage their risks and accept responsibility for such transactions in line with Charge-back Rules of relevant Card Schemes. This does not preclude any Acquirer from using the services of Third Party Processor (TPP) or the Acquirer's in-house processing services to process its acquired transactions.
- 2.4.4.8 All domestic transactions, including, but not limited to POS and ATM transactions must be switched, using the services of a local switch, and shall not, under any circumstance, be routed outside Nigeria for switching.
- 2.4.4.9 The Payments Terminal Service Aggregator shall monitor the availability and transaction traffic on all POS terminals on a continuous basis and shall provide analysis and reporting on POS terminal performance and transaction trend to the Central Bank and the industry.
- 2.4.4.10 The Payments Terminal Service Aggregator shall ensure all merchants and other relevant parties are settled within the T+1 settlement period, upon receipt of settlement reports from all card

schemes or the switches they have appointed to provide such reports on their behalf. Failure to execute the T+1 settlement cycle shall result in a sanction to the PTSA, including, but not limited to refunding the entire Merchant Service Charge for that day's transactions.

- 2.4.4.11 The Payments Terminal Service Aggregator shall have clear Service Level Agreements for certifying terminals quickly and efficiently, as well as for integrating new value-added services on behalf of acquirers, PTSPs, or 3rd party application developers.

2.4.5 Merchants

- 2.4.5.1 A merchant shall enter into agreement with Merchant Acquirer, specifying in clear terms, the obligations of each party.
- 2.4.5.2 Merchant shall accept cards and other payment tokens as methods of payment for goods and services.
- 2.4.5.3 The POS shall display the amount to be authorised on the screen requesting PIN entry, so that the customer can see the amount being paid before authorization.
- 2.4.5.4 The merchant shall be held liable for frauds with the card arising from its negligence, connivance etc.
- 2.4.5.5 A merchant shall under no circumstance, charge a different price, surcharge a cardholder or otherwise discriminate against any member of the public who chooses to pay with a card or by other electronic means.

2.4.6 Cardholders

- 2.4.6.1 A cardholder shall:

- a) Store the payment card and protect his/her PIN with due care
- b) Not keep his payment card together with the PIN
- c) Notify the issuer without delay, about missing, stolen, damaged, lost or destroyed card
- d) Not make the payment card available to unauthorized persons.

- 2.4.6.2 The cardholder may withdraw from the contract for payment card without prior notice to the issuer, provided he does not owe for any charges or transactions on the payment card.
- 2.4.6.3 The cardholder shall present, when required by a merchant, a document confirming his identity.
- 2.4.6.4 The cardholder shall receive value for the operations performed by means of a payment card, and by so doing, the holder commits himself to pay the amount of the operations, together with charges due to the issuer, from a specified account.
- 2.4.6.5 The cardholder shall be held liable for fraud committed with his card, arising from the misuse of his PIN or his card.
- 2.4.6.6 The cardholder shall be entitled to receive a receipt, or any other form of evidence at the time a transaction is performed with his/her card.
- 2.4.6.7 The cardholder shall be entitled to receive, within a reasonable period, at least monthly, a statement of all transactions performed with his/her card.
- 2.4.6.8 If a cardholder notifies his bank that a PoS error involving his card has occurred, the institution must investigate and resolve the claim within 48 hours.
- 2.4.6.9 A cardholder shall be given reasonable notice before changes are made to the terms and conditions of his card contract and shall be given the option to opt out of the card contract, without penalty.

2.4.7 Card Schemes

2.4.7.1 All card schemes in Nigeria are bound by these Guidelines and other relevant CBN Guidelines/Circulars.

2.4.7.2 CBN shall reserve the right to assess the rules to confirm objectivity, vis-a-vis international standards/best practice. Any Card Scheme that wrongfully denies membership or unnecessarily delays the process of certification to potential players, would be penalized by CBN – including, but not limited to paying a fine, equivalent to the expected revenue of the payment services provider for that period, suspension and/or revocation of license, and CBN licensing new schemes.

2.4.7.3 No Card Scheme shall engage in the business of acquiring; neither shall any entity that has a management contract with a Card scheme engage in the business of acquiring. In addition, no entity in which a Card Scheme, its subsidiary, or the majority shareholder of a card scheme, has 20% shareholding or more, shall engage in the business of acquiring.

2.4.7.4 No Card Scheme shall engage in any antitrust activity or any act that will lead to abuse of dominant position, monopoly or unfair competition. Accordingly, there shall not be any form of arrangement or collusion between two or more Card Schemes, or Payment Schemes in respect of Issuing, Acquiring, Processing or Switching.

2.4.8 Switching Companies

2.4.8.1 All local switches in Nigeria shall ensure that transactions relating to all cards issued by Nigerian banks are successfully switched between Acquirers and Issuers.

2.4.8.2 To achieve the interconnectivity of all new and existing switching companies, all switching companies shall open their networks for

reciprocal exchange of transactions/messages with the Nigeria Central Switch and Payment Terminal Service Aggregator.

2.5 Settlement Mechanism

- 2.5.1 The settlement for domestic POS transactions must be done to the merchant account on T+1 basis, where T is the date the transaction is performed. Failure to execute the T+1 settlement cycle shall result in a sanction to the NIBSS.
- 2.5.2 Card schemes or their appointed switches shall provide their settlement reports to NIBSS daily on or before 10:00 a.m., for the previous day. The settlement information should contain sufficient details, to enable NIBSS credit merchant accounts directly, and shall be provided in a format as advised by NIBSS. Failure to provide this information in the required format or by the required timeline will result in a sanction, including, but not limited to the offending party solely refunding the entire Merchant Service Charge for that day's transactions.
- 2.5.3 NIBSS shall also directly credit the accounts of other parties with their share of the Interchange.
- 2.5.4 NIBSS will be paid by the banks for the settlement done to the merchant account, in line with the NEFT fee transaction charges.

2.6 Fees and Charges

- 2.6.1 Fees and charges for POS Card Acceptance services are to be agreed between the service providers and banks / entities to which the services are being provided, subject to the following limits:
- The maximum total fee that a merchant shall be charged for any POS transaction shall be subject to negotiation between the acquirer and the merchant after taking into account, the provisions of the Interchange Guidelines.

- The fees and charges stated above are applicable to only POS transactions performed with naira denominated cards. POS transactions done with cards issued in foreign currencies will still follow the pricing arrangement put in place by the relevant international card scheme.

2.7 Transition to Achieve Interoperability

All commercial switches, processors or entities driving PoS terminals in Nigeria shall ensure full and secure connection to the Central Switch and all transactions in respect of any card that the switch, processor or other entity is not licensed to process or switch shall be routed through the NCS to a licensed switch or processor for purpose of processing such transaction on behalf of the relevant Acquirer, and for seeking authorisation from the relevant Issuer.

All terminals must be plugged to the PTSA.

2.8 Exclusivity Agreements

There shall be no form of exclusivity in any area of payment service, including, but not limited to Issuing, Acquiring, Processing, and Sale and Maintenance of hardware and software. Any payment scheme, operator, processor, infrastructure provider, switching company, service provider or bank that contravenes this policy may be suspended for a minimum of one (1) month by the CBN as a payment service or payment infrastructure service provider in the first instance, to be followed by stricter sanctions if the practice persists.

2.9 Minimum POS Terminal Specifications

| Parameters | Specifications |
|------------------------|--|
| Card Readers | EMV Chip/Smart cards, Magnetic stripe. <u>Optional</u> : Contactless reader, 2 SIM Slots |
| Communications | GPRS, Ethernet, Dial-up Modem. <u>Optional</u> : CDMA, Wi-Fi |
| Certifications | EMV levels 1 & 2, PCI DSS, PA-DSS, PCI PED online & offline (All PCI certifications should be Level/Version 2.1 minimum) |
| CPU | ARM9/11, 32Bits. <u>Optional</u> : Dual processors |
| Memory | 16MB Flash, 32MB SDRAM |
| Keypad | PCI PED Approved, Backlit |
| Display | TFT LCD graphics, 128/64 pixel, Backlit. <u>Optional</u> : Colour screen |
| Power | 100-240V, 50-60Hz; 24hrs battery power (operating) <u>Optional</u> : DC support, Car jack charger, Docking fast charger |
| Printer | 15 -18 lines per sec Thermal printer |
| Multi-Application | Supports Multiple Applications |
| Customization / Others | <u>Optional</u> : Coloured or branded housing, Labelling/embossing, RS232 & USB interfaces, Protocol implementation |

2.10 Compliance

All parties shall comply with the provisions of these Guidelines and other relevant Guidelines issued by the CBN. This guideline shall prevail, in the case of conflict with any prior Guidelines. Non compliance with these Guidelines shall attract appropriate sanctions from the CBN.

3.0 GUIDELINES ON MOBILE POINT OF SALE (mPOS) ACCEPTANCE SERVICES

3.1 Objectives

These Guidelines have been developed to:

- 3.1.1** Provide minimum standards and requirements for the operation of mPOS.
- 3.1.2** Promote safety and effectiveness of mPOS, and thereby enhance user confidence in the service.
- 3.1.3** Identify the roles and responsibilities of stakeholders.

3.2 Minimum Standards

All industry stakeholders who process and/or store cardholder information shall ensure that their applications and processing systems comply with the following minimum requirements and standards:

- 3.2.1** All applications and processing systems shall comply with the standards specified by various card schemes. The minimum requirements shall be PCI DSS certification.
- 3.2.2** Acquirers shall be required to provide mPOS solutions that utilize Payment Card Industry PIN Transaction Security (PCI PTS) in accordance with the PCI Point-to-Point Encryption (P2PE) Solution Requirements.
- 3.2.3** Each solution provider shall provide valid certificates, showing compliance with the standards in 3.1 and 3.2; and shall regularly review the status of its applications, to ensure they are in compliance with the following:
 - i. PA DSS –Payment Application Data Security Standard.
 - ii. PCI PED – Payment Card Industry Pin Entry Device.
 - iii. PCI DSS – Payment Card Industry Data Security Standard.
 - iv. Triple DES – Data Encryption Standards should be the benchmark

for all data transmitted and authenticated between each party.

- v. EMV – The deployed infrastructure must comply with the minimum EMV requirements.

3.2.4 Merchants shall use mPOS solutions that utilize P2PE solutions in accordance with the *PCI Point-to-Point Encryption Solution Requirements*.

3.3 *mPOS Stakeholders*

The parties involved in payments acceptance and processing for mPOS shall include:

- i. Acquirer
- ii. Issuer
- iii. PTSA
- iv. Merchant
- v. Cardholder/User
- vi. Card Schemes
- vii. Switches/Processors
- viii. PTSP

3.4 *Roles and Responsibilities of:*

3.4.1 Acquirers

3.4.1.1 Only CBN licensed institutions shall serve as Acquirers.

3.4.1.2 Either Acquirer or Merchant may own an mPOS device

- 3.4.1.3 Acquirers shall ensure that mPOS devices purchased and deployed at merchant/retailer locations accept all cards (card agnostic).
- 3.4.1.4 Acquirers shall enter into agreements with merchants for the acceptance of payments by means of electronic payment instruments. All agreements shall clearly spell out the terms and conditions, including roles, responsibilities and rights of the Acquirer and the merchant.
- 3.4.1.5 Every Acquirer shall connect all its mPOS devices directly to the Payment Terminal Service Aggregator.
- 3.4.1.6 The Acquirers shall switch all domestic transactions through the preferred local switch of their choice for the purpose of seeking authorisation from the relevant Issuer.
- 3.4.1.7 The Acquirers shall be required to undertake measures to prevent the use of their networks for purposes associated with money laundering and other financial crimes and shall conduct proper KYC on all their merchants.
- 3.4.1.8 The Acquirers shall set merchant limits based on the volume of business/type of commercial activities. In addition, Acquirers shall provide guidelines to merchants on payment procedures for large ticket transactions (e.g. review of Identification, etc.)
- 3.4.1.9 There shall be no exclusivity arrangements that bundle third party processing with switching activities. Each Acquirer shall be free to process transactions on its own, or leverage the services of a third party processor; and these services shall be independent of the switch used to facilitate such exchange.
- 3.4.1.10 The Acquirers shall maintain and reconcile merchant accounts.
- 3.4.1.11 The Acquirer shall provide the merchant with a PTSA certified card reader and the mPOS application for the handheld device; and where the card

reader is in-built, the Acquirer shall ensure that the device is certified by the PTSA.

- 3.4.1.12 The Acquirer shall ensure that the mPOS application is PA-DSS certified.
- 3.4.1.13 The Acquirer shall assess and determine the suitability of mPOS for a merchant, with consideration for the merchant's control environment and other additional responsibilities for using mPOS.
- 3.4.1.14 An Acquirer shall not acquire transaction through mPOS for a merchant it assesses as having a weak control environment, for managing mPOS devices.
- 3.4.1.15 The Acquirer shall ensure an effective patch and version control management for the mobile application on the merchant's mPOS devices.
- 3.4.1.16 The Acquirer shall ensure that it does not acquire transactions from an mPOS device whose payments processing application is not updated with most recent patches, anti-virus and upgrades.
- 3.4.1.17 The Acquirer shall ensure the implementation of an enterprise mobility management system for the mPOS devices of the merchants it is acquiring.
- 3.4.1.18 The Acquirer shall ensure that payments data are transmitted using secured communication channels and protocols with end-to-end encryption, as specified in POS guidelines.
- 3.4.1.19 The Acquirer shall be responsible for the back-end payment processing. The back-end payments processing and settlement shall comply with extant POS guidelines.
- 3.4.1.20 The Acquirer shall be responsible for sensitizing/educating the merchant on security measures required for the mPOS device.
- 3.4.1.21 The Acquirer shall ensure that the mPOS is capable of issuing receipts either in electronic or paper form upon consummation of a transaction.
- 3.4.1.22 The Acquirer and the merchant shall be responsible for the maintenance of the card reader.

- 3.4.1.23 The Acquirer shall ensure that card readers are configured as merchant-specific.
- 3.4.1.24 The Acquirer shall ensure that mPOS applications are lockdown, such that other mobile applications on the mPOS devices of the merchants do not interact, store or transmit payment data.
- 3.4.2 Issuers**
The responsibilities of Issuers shall be as stipulated in the extant POS Guidelines.
- 3.4.3 Payments Terminal Service Aggregator (PTSA)**
- 3.4.3.1 Nigeria Interbank Settlement Systems (NIBSS) shall act as the Payments Terminal Service Aggregator for the financial system.
- 3.4.3.2 As the Payments Terminal Service Aggregator for the industry, NIBSS shall establish communication network for reliable data traffic that shall satisfy the service and availability standards and expectations of the industry on a cost effective basis.
- 3.4.3.3 As the Payments Terminal Service Aggregator for the industry, NIBSS shall on an annual basis or more frequently as may be required, certify mPOS devices that meet the industry standards.
- 3.4.3.4 All payment transactions shall be routed through the Payment Terminal Service Aggregator.
- 3.4.3.5 The Payments Terminal Service Aggregator (s) shall route all transactions from mPOS devices to the relevant Acquirer or its designated third party processor. This enables Acquirers who are Issuers to handle On-Us transactions appropriately and all Acquirers to manage their risks, and accept responsibility for such transactions in line with Charge-back Rules of relevant Card Schemes. This does not preclude any Acquirer from using the services of any Third Party Processor (TPP) or the Acquirer's in-house processing services to process its acquired transactions.

- 3.4.3.6 All mPOS transactions in Nigeria must be switched, using the services of a local switch and shall not under any circumstance be routed outside Nigeria.
- 3.4.3.7 The Payments Terminal Service Aggregator(s) shall monitor the availability and transaction traffic on all mPOS devices on a continuous basis and shall provide analysis and report on performance and transaction trend to the Central Bank of Nigeria.
- 3.4.3.8 The Payments Terminal Service Aggregator shall have clear Service Level Agreements for certifying devices quickly and efficiently, as well as for integrating new value-added services, on behalf of Acquirers and third party application developers.

3.4.5 Merchants

- 3.4.5.1 A merchant shall enter into agreement with the Acquirer, specifying in clear terms, the obligations of each party.
- 3.4.5.2 Merchant shall accept cards as a method of payment for goods and services.
- 3.4.5.3 The merchant shall display the payment device conspicuously for the cardholder/user to observe the amount entered into the device before the cardholder/user enters his/her PIN.
- 3.4.5.4 The merchant shall be held liable for frauds involving the use of mPOS device due to its negligence, connivance etc.
- 3.4.5.5 The merchant shall under no circumstance, charge a different price, surcharge a cardholder/user or otherwise discriminate against any member of the public who chooses to pay with a card or by other acceptable electronic means.

- 3.4.5.6 The merchant shall ensure that it complies with the minimum security guidance provided by the Acquirer.
- 3.4.5.7 The merchant shall determine the location and condition of the mPOS device at all times and shall inform the Acquirer immediately it is unable to do so.
- 3.4.5.8 The Merchant shall be responsible for determining and maintaining inventory of other applications that co-exist on mPOS devices.
- 3.4.5.9 The merchant and the Acquirer shall be responsible for the maintenance of the mPOS device.
- 3.4.5.10 Merchant shall be responsible for restricting physical and logical access to the mPOS device.

3.4.6 Cardholders/Users

- 3.4.6.1 A cardholder/user shall:
 - i. Protect the payment card, mobile device and PIN with due care.
 - ii. Notify the issuer immediately a PIN is compromised.
 - iii. Notify the issuer without delay about missing, stolen, damaged, lost or destroyed card and/or mobile device.
- 3.4.6.2 The cardholder may withdraw from the contract for payment card without prior notice to the issuer, provided he does not owe any charges for transactions on the payment card.
- 3.4.6.3 The cardholder shall present, when required by a merchant, a document confirming his identity.
- 3.4.6.4 The cardholder shall receive value for the operations performed by means of a payment card, and by so doing, the holder commits himself to pay the amount of the operations together with charges due.
- 3.4.6.5 The cardholder shall be held liable for fraud committed with his card

arising from the misuse of his PIN or his card.

- 3.4.6.6 The cardholder/user shall be entitled to receive a receipt or any other form of evidence at the time a transaction is performed with his/her card.
- 3.4.6.7 The cardholder/user shall be entitled to receive, within a reasonable period, at least monthly, a statement of all transactions performed with his/her card.
- 3.4.6.8 If a cardholder/user notifies his bank of a transaction error, the issuer shall investigate and resolve the claim within 48 hours from the day of notification, irrespective of the dispute resolution process of the card scheme. Acquirer must immediately respond to Issuer's request, in the process.
- 3.4.6.9 A cardholder/user shall be given not less than 5 working days' notice before changes are made to the terms and conditions of his card contract and shall be given the option to opt out of the card contract without penalty.

3.4.7 Card Schemes

All card schemes in Nigeria are bound by these Guidelines and other relevant CBN Guidelines/Circulars.

- 3.4.7.1 Any Card Scheme that wrongfully denies membership or delays the process of certification to potential players, would be penalized by CBN – including but not limited to paying a fine equivalent to the expected revenue of the payment services provider for that period, suspension and/or revocation of license, and shall not be eligible for further participation in CBN licensing schemes.
- 3.4.7.2 No Card Scheme, or any entity that has a management contract with a Card Scheme, shall engage in the business of acquiring. In addition, no entity in which a Card Scheme, its subsidiary, or the majority shareholder of a card scheme, has 20% shareholding or more shall engage in the

business of acquiring.

- 3.4.7.3 No Card Scheme shall engage in any antitrust activity or any act that will lead to abuse of dominant position, monopoly or unfair competition. Accordingly, there shall not be any form of arrangement or collusion between two or more Card Schemes, or Payment Schemes in respect of issuing, acquiring, processing or switching.

3.4.8 Switches (Switching Companies)

- 3.4.8.1 All local switches in Nigeria shall ensure that transactions relating to all cards issued by Nigerian banks are successfully switched between Acquirers and Issuers.
- 3.4.8.2 To achieve the interconnectivity of all new and existing switching companies, all switching companies shall open their networks for reciprocal exchange of transactions/messages with the Nigeria Central Switch and Payment Terminal Service Aggregator.

3.5 Settlement Mechanism

- 3.5.1 The settlement for all domestic mPOS transactions shall be done to the merchant account on T + 1 basis, where T is the date the transaction is performed. Failure to execute the T+1 settlement cycle shall result in a sanction to the NIBSS.
- 3.5.2 Card schemes or their appointed switches shall provide settlement reports to NIBSS on daily basis on or before 10:00 a.m. for the previous day's transactions. The settlement information shall contain sufficient details in the required format, as advised by NIBSS, to enable direct credit into merchant accounts. Failure to provide this information within the timeline and in the prescribed format will result in a sanction.
- 3.5.3 NIBSS shall also directly credit the accounts of other parties with their

share of the Interchange.

- 3.5.4 NIBSS will be paid by the banks for the settlement done to the merchant account in line with the NIBSS Electronic Funds Transfer (NEFT) fee transaction charges.

3.6 Fees and Charges

- 3.6.1 Fees and charges for mPOS Card Acceptance services are to be agreed between service providers and banks/entities to which the services are being provided, subject to the following limits:

- i. The maximum total fee that a merchant shall be charged for any mPOS transaction shall be subject to negotiation between the Acquirer and the merchant, after taking into account, the provisions of the Interchange Guidelines.
- ii. The fees and charges stated above are applicable to only mPOS transactions performed with Nigerian issued cards. mPOS transactions done with cards issued by foreign issuers will still follow the pricing arrangement put in place by the relevant international card scheme.

3.7a Transition to Achieve Interoperability

All commercial switches, processors or entities driving mPOS devices in Nigeria shall ensure full and secure connection to the Central Switch, and all transactions in respect of any card that the switch, processor or other entity is not licensed to process or switch shall be routed through the NCS to a licensed switch or processor for the purpose of processing such transaction on behalf of the relevant Acquirer and for seeking authorisation from the relevant Issuer.

- 3.7b All mPOS devices must be plugged to the PTSA.

3.8 Exclusivity Agreements

There shall be no form of exclusivity in any area of payment service including but not limited to issuing, acquiring, processing, and sale and maintenance of hardware and software. Any payment scheme, operator, processor, infrastructure provider, switching company, service provider or bank that contravenes this policy may be suspended for a minimum of one (1) month by the CBN in the first instance, to be followed by stricter sanctions if the practice persists.

3.9 Minimum mPOS Technical Specifications

| Parameters | Specifications |
|------------------------|--|
| Card Readers | EMV Chip/Smart cards, Magnetic stripe, supporting audio jack interface and/or Bluetooth communications interface. <u>Optional</u> : Contactless reader. |
| Communications | GPRS, Dial-up Modem. <u>Optional</u> : CDMA, Wi-Fi |
| Certifications | EMV levels 1 & 2, PCI DSS, PA-DSS, PCI PED online & offline (All PCI certifications should be Level/Version 2.1 minimum) |
| Printer | 15 -18 lines per sec Thermal printer (optional). Means of notification should also support email/SMS notification. |
| Multi-Application | Supports Multiple Applications |
| Customization / Others | <u>Optional</u> : Coloured or branded housing, Labelling/embossing, RS232 & USB interfaces, Protocol implementation |

3.10 Consumer Protection/Dispute Resolution

- 3.10.1 Acquirers shall, in conjunction with issuers, switches and other stakeholders ensure resolution of disputed transactions between the merchant and the cardholder within 48 hours. Acquirers must immediately respond to Issuer's request.
- 3.10.2 Stakeholders/Parties may escalate complaints to the CBN, where they are dissatisfied with the result of 3.10.1 above.

- 3.10.3 Any dispute, controversy or claim arising out of or relating to this Guidelines or the breach, termination or invalidity thereof, shall be settled in accordance with the CBN's dispute resolution mechanism and if unresolved, may be referred to an arbitral panel, as provided under the Arbitration and Conciliation Act Cap. A18 LFN 2004.

3.11 Compliance

All parties shall comply with the provisions of these Guidelines and other related Guidelines issued by the CBN. Noncompliance with the Guidelines shall attract appropriate sanctions by the CBN.

These Guidelines shall prevail in the case of conflict with any prior guidelines issued by the CBN.

4.0 GUIDELINES ON WEB ACCEPTANCE SERVICES

4.1 Scope of the Guidelines

These Guidelines shall include all forms of transfer of monetary value on the website of a merchant or a payment aggregator in fulfillment of consideration for the purchase of goods and services on the web (internet).

4.2 Objectives

These Guidelines shall:

- 4.2.1 Provide minimum standards and requirements for the processing of transactions via the web (internet) channel.
- 4.2.2 Promote safety and effectiveness of Web Acceptance Services and thereby enhance user confidence in the service.
- 4.2.3 Identify the roles and responsibilities of stakeholders.
- 4.2.4 Encourage the development of effective, low risk, low cost and convenient payment and financial services to customers and businesses through the internet.

4.3 Minimum Standards for Web Acquiring

All web acquirers shall only utilize the services of gateway providers that comply with the following minimum standards:

- i) PCI DSS- Payment Card Industry Data Security Standard
- ii) PA DSS- Payment Application Data Security Standard
- iii) Triple DES- Data Encryption Standards should be the benchmark for all data transmitted and authenticated between each party.
- iv) 2FA- Second Factor Authentication

4.4 Stakeholders

The following parties in a web payment scenario have responsibilities for web payments transactions:

- i. Acquirer: including a CBN licensed web payment aggregator
- ii. Issuer
- iii. Merchant (website owner)
- iv. Payments Gateway Providers
- v. Customer

4.5 Roles and Responsibilities of Stakeholders

4.5.1 Acquirer

In addition to the basic responsibilities of an acquirer as stipulated in extant guidelines, the acquirer shall:

- 4.5.1.1 Be responsible for engaging and managing the web payments gateway provider.
- 4.5.1.2 Evaluate the merchant web application, technology and control environment and ensure that it is implemented securely to accept payments.
- 4.5.1.3 Ensure that merchants carry out appropriate regular threat scan on the merchant's website and avail the merchant with updates on emerging threats to ensure that appropriate measures are taken by the merchant to mitigate risks.
- 4.5.1.4 Test website payment integration and ensure that sensitive customer data are not retained on the merchant's website.
- 4.5.1.5 For the minimum Web Capabilities of ecommerce websites/web portal, Acquirers and service providers shall comply with scheme rules as defined

by the various card schemes, however, where there is conflict, this Guidelines supersedes.

- 4.5.1.6 The acquirer can also be a merchant and deploy/implement a website to accept card payments for its own services or services provided by merchants acquired by them.
- 4.5.1.7 The Acquirer shall assist the Merchant in setting up the accounts in the bank and any back-end processing for settlement of payments done on the merchant website using cards.
- 4.5.1.8 The Acquirer shall acquire all transactions done on the website of Merchants acquired by them.
- 4.5.1.9 The acquirer shall sign an agreement with the merchant for accepting card payment via the web channel.
- 4.5.1.10 The acquirer shall perform adequate Customer Due Diligence (CDD), Know-your-Customer (KYC) and Know-your-Customer-Business KYC/B on the merchant.
- 4.5.1.11 The acquirer shall maintain and reconcile merchant accounts on behalf of the merchant.
- 4.5.1.12 The Acquirer reserves the right to discontinue acquiring for a merchant at any time for proven cases of fraud, consistent failed deliveries and other situations involving the Merchant, which may impact negatively on the industry.
- 4.5.1.13 Acquirers shall implement a fraud management system that will detect customer usage pattern and decline/accept transaction, based on rules defined on the fraud management system.
- 4.5.1.14 Acquirers shall profile merchants, based on the services being offered, and define transaction limits.

4.5.2 Merchants

The merchant, in addition to the basic responsibilities as stipulated in extant guidelines, shall:

- 4.5.2.1 Ensure that the terms and conditions for its products and services are properly communicated and conspicuously displayed on its website.
- 4.5.2.2 Ensure that it cooperates with the Acquirer in implementing appropriate security measures.
- 4.5.2.3 Provide the customer with clear instructions on the process for making payments on its websites.
- 4.5.2.4 Provide information to customers on the charges applicable to each web payment option on its website.
- 4.5.2.5 Carry out appropriate regular threat scan on its website and ensure that appropriate measures are taken to mitigate risks

4.5.3 Issuer

The issuer, in addition to its responsibilities under the Guidelines on Card Issuance, shall:

- 4.5.3.1 Be responsible for the issuance of the cards. Only licensed deposit taking banks shall serve as the issuers of payment cards.
- 4.5.3.2 Commit to authorize the cardholder transaction made from the card linked to a specified account in the issuing bank and settle the operations performed by the means of the card.
- 4.5.3.3 Provide additional security measures e.g. second factor authentication to cardholders who intend to utilize their cards for transactions via the web channel.
- 4.5.3.4 Be held liable for card fraud in the event that payments are made with hot listed cards or where a card is reported as lost or stolen and subsequently used to make payments on any other channel.
- 4.5.3.5 Provide means through which cardholders can, at any time, notify the issuer of any loss, theft or fraudulent use of the card and the issuer shall take all necessary steps to stop any further use of the card.
- 4.5.3.6 Maintain internal records over a minimum period of seven (7) years to enable audit trails on card-related transactions.

- 4.5.3.7 Be responsible for setting overall transaction limits on cards per day, and transaction limits of such cards by channel, according to their card products and risk guidelines.
- 4.5.3.8 Immediately acknowledge the dispute or complaints from cardholders, and in conjunction with the Acquirer and platform provider, resolve such disputes or complaints within 48 hours.
- 4.5.3.9 Furnish its cardholders with a detailed list of contractual terms and conditions prior to activation. Such terms shall include at a minimum, fees and charges, withdrawal limits (including offline transaction limits and terms where applicable), billing cycles, termination procedures, default/recovery procedures and loss/theft/misuse of card procedures.
- 4.5.3.10 Implement authentication at the “highly secured level” requiring 2 factor authentication
- 4.5.3.11 Implement behavioral monitoring and SMS/email alerts as additional controls to further protect the payer.
- 4.5.3.12 Not enable a card for web transactions, unless requested by the customer.

4.5.4 Payments Gateway Provider

Payment Gateway Provider (PGP) Shall:

- 4.5.4.1 Provide services with respect to the processing of online payment transactions related to the sale of goods and/or services.
- 4.5.4.2 Act as facilitator on behalf of cardholder/users:
 - i. To enable Payment Transactions; and
 - ii. Processing authorisation requests.
- 4.5.4.3 Be responsible for the security of the data related to the payment instrument that is possessed or otherwise stored, processed or transmitted on behalf of cardholders/users.

4.5.4.4 Not store card details on any server maintained by either the PGP or any third party, without first undergoing a security audit carried out by a Qualified Security Assessor (QSA).

4.5.4.5 Hold all forms of customer data securely and take responsibility for the security of the data.

4.5.5 Cardholder

The cardholder shall:

4.5.5.1 Guard his card, PIN and hardware token with utmost care.

4.5.5.4 Immediately notify the issuer if the card, PIN or token is lost/compromised.

4.6 Settlement Mechanism

4.6.1 The settlement for all WEB transactions shall be made to the merchant account on a T+1 basis, where T is the date the transaction is performed.

4.6.2 The Acquirer shall settle the funds to merchant's account.

4.7 Fees

4.7.1 Fees shall be based on CBN Interchange Guidelines.

4.7.2 The interchange will be regulated by the Central Bank

4.7.3 Fees and charges for Web transaction are to be agreed between service providers and banks/entities to which the services are being provided subject to the following limits:

- i. The maximum total fee that a merchant shall be charged for any Web transaction shall be subject to negotiation between the Acquirer and the merchant, after taking into account the provisions of the Interchange Guidelines.

4.7.4 Other service providers will be free to negotiate their fees with the party that service is being rendered to

4.7.5 Web transactions done with cards issued in foreign currencies will follow the pricing arrangement put in place by the relevant international scheme.

4.8 Consumer Protection/Dispute Resolution

Any dispute, controversy or claim arising out of or relating to this Guidelines or the breach, termination or invalidity thereof shall be settled in accordance with the CBN's dispute resolution mechanism and if unresolved may be referred to an arbitral panel, as provided under the Arbitration and Conciliation Act Cap. A18 LFN 2004.

4.9 Chargeback Period for ATM, POS and Web Transactions

1. The reversal of failed on-us ATM transactions (failed transactions when customers use their cards on their bank's ATMs) shall be instant.

However, where instant reversal fails due to technical issues of system glitches, the timeline for manual reversal shall not exceed 24 hours.

2. Timeline for refunds on failed not-on-us ATM transactions (failed transactions when customers use their cards on other bank's ATMs) shall not exceed 48 hours.

3. Refunds on disputed/failed POS/Web transactions shall be treated within 48 hours.

4. Participants in the payments system are also required to comply with the following additional requirements:

- a) All Switches are to adjust the chargeback cycle in their dispute solutions to 24 hours from 72 hours
- b) All Acquirer initiated refunds shall henceforth be initiated by all banks within 48 hours.
- c) Processors are to provide daily settlement reports latest 8 a.m. on a T+1 basis.
- d) NIBSS shall send daily reports on reversals to processors on or before 10 pm each day

4.10 Compliance

All parties shall comply with the provisions of these guidelines, and other related Guidelines issued by the CBN. Non-compliance with the guidelines shall attract appropriate sanctions by the CBN.

These Guidelines shall prevail in the case of conflict with any prior guidelines issued by the CBN.

5.0 DEFINITION OF TERMS

The terms below shall have the following meaning, for the purpose of the Guidelines.

- 1) Acquirer means bank or any other legal person concluding contracts with merchants concerning acceptance of payment by means of an electronic payment token.
- 2) Card Reader is an apparatus that reads data from a payment card. It may have an audio jack that is attachable to a port or may connect via Bluetooth to the mobile device.
- 3) Card Schemes define the rules of the card system (e.g. interchanges, licenses, fraud responsibilities), and choices of technical functionalities (e.g. standards, protocols, security requirements).
- 4) Cardholder means an individual or company issued with a payment card linked to an account at a licensed financial institution
- 5) Competent Authorities include Courts, Economic and Financial Crime Commission (EFCC), Independent Corrupt Practices Commission (ICPC), Regulatory Authorities such as the CBN, Nigeria Deposit Insurance Commission (NDIC).
- 6) Contactless refers to a process of performing a transaction via an NFC antenna embedded within a mobile device.
- 7) EMV (Europay, MasterCard, Visa) is the global standard that ensures smart (Chip-and-PIN) cards, terminals and other systems interoperate.
- 8) Hot list means list of deactivated cards by the issuer, that were reported missing, stolen, lost or damaged by the card holders.

- 9) Interconnectivity means ability for reciprocal exchange of transactions/messages between two or more switching networks.
- 10) Interoperability means ability to issue cards and deploy devices in such a way that all customers (card holders, merchants and issuers) perceive operations, while obtaining service, as if the interconnected networks were one. (refer to <http://www.bis.org/cpmi/>).
- 11) Issuer: Licenced Financial institution that issues payment tokens to customers
- 12) Merchant Acquirer means a CBN licensed institution that has agreement with the relevant card scheme to contract with merchants to accept payment cards as means of payment.
- 13) Merchant means an organization or entity that contracts with a Merchant Acquirer for accepting payment by means of payment card or any other electronic payment instrument.
- 14) Member Institutions means banks and other financial institutions that are on the network of a particular switching company.
- 15) MPR means Minimum Policy Rate.
- 16) mPOS stands for mobile Point of Sale. A device such as a tablet or any mobile phone with card accepting device attached to it that performs the functions of an electronic Point of Sale (PoS) terminal.
- 17) Near Field Communication (NFC) is the set of protocols that enables devices to establish radio communication with each other by touching each other or bringing them into proximity of a distance typically 10 cm (3.9 in) or less.
- 18) NIBSS stands for the Nigeria Inter-Bank Settlement System, it was mandated to among others, act as the Automated Clearing House (ACH),

Payment Terminal Service Aggregator (PTSA) and Nigeria Central Switch (NCS) for Nigeria.

- 19) Offline transaction means a transaction in which no direct connection is made between the device(s) involved in the transaction and a centralized computer system for the purpose of effecting settlement, or authenticating the transaction before it is executed.
- 20) Online transaction means a transaction in which there is a direct connection between the device(s) and a centralized computer system for effecting settlement or authorization or validation before a transaction can be executed.
- 21) PA-DSS stands for Payment Application Data Security Standard. PA-DSS compliant applications help merchants and agents mitigate compromises, prevent storage of sensitive cardholder data, and support overall compliance with the PCI DSS.
- 22) Payments GP Payment Gateway is an e-commerce application service provider that authorizes card payments for e-businesses, online retailers, etc.
- 23) Payment tokens: Any electronic payment instruments provided by an issuer to initiate a payment transaction.
- 24) PCI DSS stands for Payment Card Industry Data Security Standard. It was developed to encourage and enhance cardholder data security and facilitate the broad adoption of consistent data security measures globally. (See www.pcisecuritystandards.org/documents/PCI_DSS_v3-1.pdf)
- 25) PCI PED stands for Payment Card Industry Pin Entry Device. PCI PED security requirements are designed to secure personal identification number (PIN)-based transactions globally and apply to devices that accept PIN entry for all PIN based transactions.
- 26) PCI PTS stands for Payment Card Industry PIN Transaction Security requirements. These are used primarily by ATM and point-of-sale device manufacturers to secure cardholder's details at physical point of entry.

- 27) PIN means Personal Identification Number.
- 28) Processor processes card transactions.
- 29) Point-to-Point Encryption (P2PE) is a method of protocol for data encryption ensuring secure transmission between two points.
- 30) Settlement Agents: Institutions that generates financial data and compute net settlement position for each financial institution in a payment scheme(s).
- 31) Smart phone is a phone built on advanced mobile computing platform with superior capabilities than a feature phone.
- 32) Switching means a system that captures electronic financial transactions from touch-points, applies rules, determines destinations, delivers the transactions and gives appropriate feedback.
- 33) T means transaction day, or the date a customer logs the complaint.
- 34) Tablet is a mobile computer that is larger than a typical smart phone, with integrated features, such as touch screen and is typically operated not by keyboard but through touching screen.
- 35) Web Acceptance is the process of accepting payments through the web channel.
- 36) Web is an information space, where documents and other web resources are identified by uniform resource identifiers, interlinked by hypertext links, and accessible via the Internet.

CENTRAL BANK OF NIGERIA
JUNE, 2020.



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PSM/DIR/CON/CWO/05/030

March 9, 2020

To: All Deposit Money Banks (DMBs); and Other Financial Institutions (OFIs).

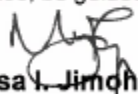
CIRCULAR ON THE REVISED STANDARDS ON NIGERIA UNIFORM BANK ACCOUNT NUMBER (NUBAN) FOR BANKS AND OTHER FINANCIAL INSTITUTIONS

The Central Bank of Nigeria (CBN), in furtherance of its mandate for the development of electronic payments system in Nigeria, hereby issues the Revised Standards on Nigeria Uniform Bank Account Number (NUBAN) for banks and other financial institutions, (the "Standards") for the efficient operations of electronic funds transfer and cheque clearing operations by DMBs and OFIs.

The CBN first issued the NUBAN Standards in August 2010, to achieve uniform customer bank account numbering structure among all DMBs in Nigeria. In view of the success of the NUBAN Standards across DMBs and the increasing role of the OFIs in the Electronic Payments System, it is imperative that the scope of the Standards be expanded to include the OFIs. It is in this regard that the Revised Standards on Nigeria Uniform Bank Account Number (NUBAN) Scheme for banks in Nigeria was revised to include the OFIs.

This Circular takes effect from **April 20, 2020** but with a deadline of **March 15, 2021 for full compliance**, after which appropriate sanctions would be imposed for contraventions and non-compliance.

Please, be guided accordingly.


Musa I. Jimoh

Director, Payments System Management Department

**REVISED STANDARDS ON NIGERIA UNIFORM
BANK ACCOUNT NUMBER (NUBAN) FOR BANKS
AND OTHER FINANCIAL INSTITUTIONS**

2019

REVISED STANDARDS ON NIGERIA UNIFORM BANK ACCOUNT NUMBER (NUBAN) FOR BANKS AND OTHER FINANCIAL INSTITUTIONS

1. PREAMBLE

In exercise of the powers conferred on the Central Bank of Nigeria (CBN) under the Banks and Other Financial Institutions Act (BOFIA) 1991 (as amended) and CBN Act 2007 to make regulations and to promote sound financial system in Nigeria, facilitate the development of an efficient and effective payments system in Nigeria, the CBN hereby issues the Revised Standards on Nigeria Uniform Bank Account Number (NUBAN) for Banks and Other Financial Institutions, (the "Standards") for the efficient operations of Electronic Funds Transfer and cheque clearing operations by Banks and Other Financial Institutions (OFIs).

The CBN first issued the Nigeria Uniform Bank Account Number (NUBAN) Standards in August 2010, to achieve uniform customer bank account numbering structure among all Deposit Money Banks in Nigeria. In view of the success of the NUBAN Standards across DMBs and the increasing role of the OFIs in the Electronic Payments System, it is imperative that the scope of the Standards be expanded to include the OFIs.

2. SCOPE

The Standards sets out the approved structure of a customer account number in all deposit taking institutions in Nigeria.

3. IMPLEMENTATION MODALITY

3.1. CHECK DIGIT ALGORITHM

The NUBAN format shall consist of 16 digits with the following structure: ABCDEF-GHIJKLMNO-P where –

For DMBs:

ABCDEF is the 3-digit Financial Institution code assigned by the CBN, with 3 leading zeros e.g. '011' and '232' become '000011' and '000232' respectively;

For OFIs:

ABCDEF is the 5-digit Financial Institution code assigned by the CBN with a leading '9' e.g. '50547' becomes '950547';

For DMBs and OFIs:

GHIJKLMNO is the NUBAN account serial number.

P is the NUBAN Check Digit, required for account number validation which is determined using the following algorithm:

Step 1: Calculate

$$A*3+B*7+C*3+D*3+E*7+F*3+G*3+H*7+I*3+J*3+K*7+L*3+M*3+N*7+O*3$$

Step 2: Calculate Modulo 10 of your result i.e. the remainder after dividing by 10

Step 3: Subtract your result from 10 to get the Check Digit

Step 4: If your result is 10, then use 0 as your check digit

Illustration 1 (DMB):

The NUBAN code of a typical customer bank account in a DMB with institution number 011 would be derived as follows:

- ✓ Convert DMB code of 011 to a 6-digit code of 000011;
- ✓ Assume a NUBAN serial number of 000001457;
- ✓ The check digit would be computed as follows:

Step 1: $0*3+0*7+0*3+0*3+1*7+1*3+0*3+0*7+0*3+0*3+0*7+1*3+4*3+5*7+7*3 = 81$

Step 2: Modulo 10 of 81 is 1 i.e. 1 is the remainder when you divide 81 by 10

Step 3: Subtract 1 from 10 to get Check Digit 9

Therefore, the NUBAN code for this illustration is 0000014579

Illustration 2 (OFI):

The 5-digit code assigned to an OFI by CBN is 50547, so the NUBAN code of a typical customer of the OFI would be derived as follows:

- ✓ Convert OFI code of 50547 to a 6-digit code of 950547
- ✓ Assume a NUBAN serial number of 000021457
- ✓ The check digit would be computed as follows:

Step 1: $9*3+5*7+0*3+5*3+4*7+7*3+0*3+0*7+0*3+0*3+2*7+1*3+4*3+5*7+7*3 = 211$

Step 2: Modulo 10 of 211 is 1 i.e. 1 is the remainder when you divide 211 by 10

Step 3: Subtract 1 from 10 to get 9

Step 4: So the check digit is 9

Therefore, the NUBAN code for this illustration is 0000214579

3.2. SORT CODE

a. DMBs

The SORT CODE format for DMBs shall be **ABC-DE-FGH-I** where:

ABC is the 3-digit DMB code assigned by the CBN

DE= State Code

FGH=Branch code

I= Check Digit computed using the sort code computation algorithm.

b. OFIs

The SORT CODE format for OFIs shall be

A-BCDEF-GH-I where:

A=9 (OFI Identifier)

BCDEF is the 5-digit OFI code assigned by the CBN

GH= State Code

I= Check Digit computed using the sort code computation algorithm.

4. UNIQUENESS AND USAGE OF NUBAN

The NUBAN account number advised to a customer shall be 10 digits which is unique within each deposit taking institution.

5. COMMENCEMENT

This Standards shall take effect one year from the date of release by the CBN and supersede the NUBAN Standards of August 19, 2010.



CENTRAL BANK OF NIGERIA

**NIGERIAN PAYMENTS SYSTEM
RISK AND INFORMATION SECURITY MANAGEMENT
FRAMEWORK**



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

TABLE OF CONTENTS

| | |
|---|---|
| 1. INTRODUCTION | 1 |
| 2. OBJECTIVES OF THE FRAMEWORK | 2 |
| 3. SCOPE | 2 |
| 4. RISK MANAGEMENT GOVERNANCE STRUCTURE..... | 3 |
| 5. ROLES AND RESPONSIBILITIES | 3 |
| 5.1. CENTRAL BANK OF NIGERIA (CBN)..... | 3 |
| 5.2. PAYMENT INITIATIVE COORDINATING COMMITTEE (PICC) | 4 |
| 5.3. PAYMENTS SCHEME BOARD (PSB)..... | 4 |
| 6. RISKS IN PAYMENTS SYSTEM..... | 4 |
| 6.1. SYSTEMIC RISK | 4 |
| 6.2. CREDIT RISK..... | 4 |
| 6.3. LIQUIDITY RISK:..... | 5 |
| 6.4. OPERATIONAL RISK | 5 |
| 6.5. COMPLIANCE, LEGAL AND REGULATORY RISK | 5 |
| 6.6. SETTLEMENT RISK | 5 |
| 6.7. INFORMATION SECURITY RISK..... | 5 |
| 7. GENERAL POLICY EXPECTATIONS | 5 |
| 7.1. PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES..... | 5 |
| 7.2. RISK MANAGEMENT FRAMEWORK | 6 |
| 8. OTHER CONSIDERATIONS FOR A RISK MANAGEMENT FRAMEWORK | 9 |
| 8.1. LEGAL AND REGULATORY | 9 |



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

| | | |
|------|--|----|
| 8.2. | BUSINESS CONTINUITY | 10 |
| 8.3. | KNOW YOUR CUSTOMER / CLIENT (KYC) | 10 |
| 8.4. | SCHEME OPERATIONS | 11 |
| 8.5. | SETTLEMENT RULES AND DEFAULT MANAGEMENT | 11 |
| 8.6. | INFORMATION SECURITY | 12 |
| 8.7. | OTHER REQUIREMENTS | 12 |
| 9. | SCHEME SPECIFIC REQUIREMENTS | 13 |
| 9.1. | CARD PAYMENT SCHEME RISK REQUIREMENTS | 13 |
| 9.2. | RTGS PAYMENT SCHEME RISK REQUIREMENTS | 13 |
| 9.3. | ACH, CHEQUE AND INSTANT PAYMENT SCHEME RISK REQUIREMENTS | 14 |
| 9.4. | MOBILE PAYMENT SCHEME RISK REQUIREMENTS | 14 |
| 10. | DISPUTE RESOLUTION | 15 |
| 11. | RISK MONITORING | 16 |
| 12. | RISK REPORTING | 16 |
| 13. | CBN OVERSIGHT | 17 |



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

1. INTRODUCTION

The journey to the Payments System Vision 2020 (PSV 2020) started in 2007 with the objective of making the Nigeria Payments System *internationally recognised and nationally utilised*. The phased implementation of the vision and other developments in the financial space including the pursuit of the Financial System Stability Vision 2020 (FSS 2020) has stimulated an exponential growth in financial activities and hence in the volume and value of payment flows both within and across national borders.

The rapid growth in the volume and value of financial transactions represents an important source of revenue for the providers of payment services particularly banks and other stakeholders. Other benefits include: fostering safety and efficiency of payment, clearing, settlement, and recording systems, promotion of financial system stability, speed of service and transactions, development of new lifestyle products, financial inclusion, etc. The growth has also significantly altered the risks associated with the payment and settlement of these transactions. As a result, payment and settlement systems are important potential sources of systemic risks.

Furthermore, payments system may increase, shift, concentrate, or otherwise transform risks in unanticipated ways. The failure of one or more of the participants in a payment system to settle their payments or other financial transactions as expected, in turn, could create credit or liquidity problems for participants and their customers, the system operator, other financial institutions, and the financial markets the payment system serves. Such a failure may ultimately undermine public confidence in the nation's financial system.

It is therefore necessary to effectively manage the risks associated with payments system, as such systems which inherently create interdependencies among financial institutions can create systemic risks. A disruption may originate from any of the interdependent entities, including the system operator, participants in a payment system, or other systems, and spread quickly and widely across markets if the risks that arise among these parties are not adequately measured, monitored, and managed. For example, interdependencies are usually based on a series of complex and time sensitive transactions and payment flows which, in combination with a payment system's design, can lead to significant demands for intraday credit or liquidity, on either a regular or an extraordinary basis.

The Central Bank of Nigeria (CBN) as a settlement institution plays an important role in the Payments System. It is the primary provider of intraday balances and credit to foster the smooth operation and timely completion of settlement processes. To that extent, the CBN may face the risk of loss if such intraday credit is not repaid as planned.



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

Furthermore, mitigating the risks associated with payments system is important for the effective management of monetary policy and banking supervision. For example, the orderly settlement of Open Market Operations (OMO) and the efficient movement of funds throughout the financial system via the financial markets and the payments system that support those markets are critical to the effective implementation of monetary policy. Similarly, supervisory objectives must take into account the risks that payment systems pose to the financial system by participating directly or indirectly in, or providing settlement, custody, or credit services.

In the interconnected environment, the safety and efficiency of these systems may affect the stability and soundness of financial institutions and consequently the financial stability of the country. As a result, safeguarding the integrity of the payments system in Nigeria has acquired additional significance and calls for the upgrading of associated risk management procedures through concerted efforts by market participants and the relevant authorities, notably the CBN.

In light of the above, the CBN approved the Nigerian Payments System Risk and Information Security Management Framework (this Framework) to guide the management of risks associated with the payments system in Nigeria.

2. OBJECTIVES OF THE FRAMEWORK

The objectives of this framework include to:

- a. identify and address sources of systemic risks within the Nigerian Payments System landscape;
- b. establish sound governance arrangements to oversee the risk management framework by ensuring that risks are identified, monitored and treated;
- c. establish clear and appropriate rules and procedures to carry out the risk-management objectives;
- d. employ the resources necessary to achieve the payments system's risk management objectives; and
- e. integrate risk management into the decision making processes of the Scheme Boards and Working Groups under PSV 2020.

3. SCOPE

This Framework is designed to guide the operators and users of the payment systems across Nigeria. These systems may be organized, located, or operated within Nigeria (domestic payments), outside Nigeria (offshore payments), or both (cross-border payments) and may involve currencies other than the Naira (non-



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

Naira systems and multi-currency systems). The scope of the Framework also includes any payment system based or operated in Nigeria that engages in the settlement of non-Naira transactions operating within Nigeria and those that operate across the Nigerian borders (cross border payment systems); along with their infrastructure providers and the Payment Service Providers (PSPs) that make up these systems.

This Framework does not apply to arrangements for the physical movement of cash or systems for settling securities nor apply to market infrastructures such as trading exchanges, trade-execution facilities, or multilateral trade-compression systems. It is also not intended to apply to bilateral payment, clearing, or settlement relationships, where a payment system is not involved, between financial institutions and their customers, such as traditional correspondent banking and government securities clearing services.

4. RISK MANAGEMENT GOVERNANCE STRUCTURE

The Payments System Management Department of the CBN is responsible for setting, applying and coordinating risk standards across the Nigeria Payments space. It is supported by the Payments Initiative Coordinating Committee and the four (4) Scheme Boards.

5. ROLES AND RESPONSIBILITIES

5.1. CENTRAL BANK OF NIGERIA (CBN)

The overall responsibility for the management of risk across the National Payments System rests with the CBN. The CBN is expected to drive the overall National Payments System Strategy, provide cross-scheme resource and arbitrate in cross-scheme decisions.

Its risk governance responsibilities include to:

- a. provide risk oversight of the payments system and ensure adequate resources are allocated to risk management activities;
- b. approve the risk strategy for the payments system;
- c. set risk parameters and tolerances within which payment system activities would be conducted;
- d. determine and periodically review payments system key policies and processes; and
- e. review payments system risk reports and direct remedial and / or mitigating actions as appropriate.



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

5.2. PAYMENT INITIATIVE COORDINATING COMMITTEE (PICC)

The membership of PICC is composed of all the Chairpersons of the Payment Scheme Boards, Payments Initiative Working Groups, Special Interest Working Groups and Independent Director(s) representing the end-user community. The PICC is Chaired by the Director, Payments System Management Department

The PICC provides advisory services to the Bank on Payments System. It also serves as a forum where issues relating to risk affecting the various initiatives are discussed.

5.3. PAYMENTS SCHEME BOARD (PSB)

The PSBs are responsible for monitoring full conformance to the Principles of Financial Market Infrastructure and other best practices. The PSBs shall recommend initiatives, strategies and policies to the CBN with a view to close any gaps related to full conformance to agreed best practice. This ensures the resiliency and efficiency of the Nigerian Payments System.

Also, the PSBs provide advise to the CBN for the establishment of an appropriate general Risk Management Framework for their respective scheme.

6. RISKS IN PAYMENTS SYSTEM

The basic risks in payments system include systemic risk, credit risk, liquidity risk, operational risk, legal risk, settlement risk and information security risk. In the context of this Framework, these risks are defined as below.

6.1. SYSTEMIC RISK

The danger that problems in a single Payments System participant could disrupt the normal functioning of the entire payment system space leading to potential collapse of the financial system and or damage to the national economy.

6.2. CREDIT RISK

The risk that a counterparty, whether a participant or other entity, is unable to meet its financial obligations when they fall due, or at any time before or after the due date.

Participants within a payment system are obligated to meet their commitments. When one party is unable to fulfil such obligation, this creates a credit risk that might spread through the system (via a contingent effect and/or contagion). As with most financial systems, participants often rely on the fulfilment of prior obligation to meet future or immediate obligation. Therefore having a well-articulated, regulated and managed credit risk process is essential to the well-being of any payment system.



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

The Nigerian Payments System has rules and processes including a collateral management framework to maintain the associated credit risk at a level that is acceptable.

6.3. LIQUIDITY RISK:

The risk that a party in a payment flow, whether a participant or other entity, is unable to meet its financial obligations when due, even though it may be able to do so in the future. A payment system may bear or generate liquidity risk in one or more currencies in its payment or settlement process based on its design or operations. In this context, liquidity risk may arise between or among the payment system operators, participants and other entities (such as settlement banks, nostro agents, or liquidity providers).

6.4. OPERATIONAL RISK

The risk that inadequacies in internal processes, human errors, management failures, information technology systems or disruptions from external events will result in the reduction, deterioration, or breakdown of services provided by the payment system.

6.5. COMPLIANCE, LEGAL AND REGULATORY RISK

The risk that arises from an unexpected or uncertain application of a law or regulation. These risks also arise between financial institutions as they clear, settle, and effect payments and other financial transactions and must be managed by institutions, both individually and collectively.

6.6. SETTLEMENT RISK

The general term used to designate the risk that settlement in a funds or securities transfer system will not take place as expected. This risk may comprise both credit and liquidity risks.

6.7. INFORMATION SECURITY RISK

The risk of loss resulting from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction of information assets and information systems.

Cyber security is a growing area of concern that deserves particular and continuous attention at the highest level.

7. GENERAL POLICY EXPECTATIONS

7.1. PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES

The Principles for Financial Market Infrastructures (PFMI) issued by the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO)



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

establish minimum standards for addressing risk associated with Payments System that are systemically important.

The standards captured in the PFMI have been widely recognized, supported, and endorsed by the CBN. The implementation of the PFMI by the payments system will promote safety, efficiency and stability of the financial system. Accordingly, the CBN has incorporated into this Framework PSR policy principles 1 through 24 from the PFMI. In applying part I of this policy, the CBN and the Scheme Boards shall be guided by the key considerations and explanatory notes from the PFMI.

7.2. RISK MANAGEMENT FRAMEWORK

Scheme Boards shall maintain a general Risk Management Framework for their scheme and shall require all payment systems within the scheme to implement a risk-management framework appropriate for the risks the payment system poses to the scheme and the broader financial system.

At a minimum, the risk management framework shall include to:

- a. establish sound governance arrangements to oversee the risk management framework;
- b. set sound risk management objectives and establish processes for identifying the key risks associated with the payment scheme;
- c. establish clear and appropriate rules and procedures to pursue the stated objectives;
- d. employ the resources necessary to achieve the system's risk-management objectives and implement effectively its rules and procedures; and
- e. build resilience and security adequate to ensure the confidentiality, integrity and availability of the system.

IDENTIFY RISKS AND SET RISK-MANAGEMENT OBJECTIVES

Appropriate risk identification and assessment is the foundation of a sound risk-management framework. Scheme Boards and Payment System Operators shall take adequate steps to clearly identify and assess all risks that may result from or arise in any part of the payment system including the system's settlement process as well as the parties posing and bearing each risk.

In particular, system operators should:

- a. identify the risks posed to and borne by the system participants, and other key parties such as a system's settlement banks, custody banks, and third-party service providers;



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

- b. analyse whether risks might be imposed on other external parties and the financial system more broadly;
- c. analyse how risk is transformed or concentrated by the settlement process;
- d. consider the possibility that attempts to limit one type of risk that could lead to an increase in another type of risk;
- e. be aware of risks that might be unique to certain instruments, participants, or market practices;
- f. where payment systems have inter-relationships with or dependencies on other Financial Market Infrastructures (FMIs), system operators should analyse whether and to what extent any cross-system risks exist and who bears them;
- g. set risk management objectives that clearly allocate acceptable risks among the relevant parties and set out strategies to manage these risks;
- h. establish the risk tolerance of the system, including the levels of risk exposure that are acceptable to the system operator, system participants, and other relevant parties; and
- i. re-evaluate their risks in conjunction with any major changes in the settlement process or operations, the transactions settled by the system's rules or procedures, or the relevant legal and market environments.

Risk management objectives should be consistent with the objectives of this Framework, the system's business purposes, and the type of payment instruments and markets for which the system clears and settles. Risk-management objectives should also be communicated to and understood by both the system operator's staff and system participants. System operators shall review the risk management objectives regularly to ensure that:

- i. they are appropriate for the risks posed by the system;
- ii. they continue to be aligned with the system's purposes;
- iii. they remain consistent with this Framework; and
- iv. they are being effectively adhered to by the system operator and participants.

ESTABLISH SOUND GOVERNANCE ARRANGEMENTS TO OVERSEE THE RISK MANAGEMENT FRAMEWORK

Each payment system shall have sound governance arrangements to implement and oversee their risk management frameworks. The responsibility for sound



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

governance rests with a system operator's board of directors or similar body and with the system operator's senior management.

Such governance structures and processes shall:

- i. be transparent;
- ii. enable the establishment of clear risk management objectives;
- iii. set and enforce clear lines of responsibility and accountability for achieving these objectives;
- iv. ensure that there is appropriate oversight of the risk management process; and
- v. enable the effective use of information reported by the system operator's management, internal auditors, and external auditors to monitor the performance of the risk management process.

Individuals responsible for governance shall be qualified for their positions, understand their responsibilities, and understand their system's risk management framework. Governance arrangements should also ensure that risk management information is shared in forms, and at times, that allow individuals responsible for governance to fulfil their duties effectively. Risk reports should be presented to the Board of Directors of payment system operators at least quarterly

ESTABLISH CLEAR AND APPROPRIATE RULES AND PROCEDURES TO CARRY OUT THE RISK MANAGEMENT OBJECTIVES.

Payment systems shall have rules and procedures that are appropriate and sufficient to carry out the system's risk-management objectives and that are consistent with its legal framework. Such rules and procedures shall specify the respective responsibilities of the system operator, system participants, and other relevant parties. Rules and procedures shall establish the key features of a system's settlement and risk-management design and specify clear and transparent crisis management procedures and settlement failure procedures, if applicable.

EMPLOY THE RESOURCES NECESSARY TO ACHIEVE THE SYSTEM'S RISK MANAGEMENT OBJECTIVES AND IMPLEMENT EFFECTIVELY ITS RULES AND PROCEDURES

System operators shall ensure that the appropriate resources and processes are in place to allow the system to achieve its risk management objectives and implement effectively its rules and procedures. In particular, the system operator's staff shall have the requisite skills, information, and tools to apply the system's rules and procedures to achieve the system's risk management



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

objectives. System operators shall also ensure that their facilities and contingency arrangements, including any information system resources, are sufficient to meet their risk management objectives.

BUILD RESILIENCE AND SECURITY ADEQUATE TO ENSURE THE CONFIDENTIALITY, INTEGRITY AND AVAILABILITY OF THE SYSTEM

The Scheme Boards should ensure that Operators build and implement adequate resilience into their infrastructure and operations to limit the potential for disruptions (operational failures) resulting from single points of failure. In addition, Operators shall ensure that critical data including customer information are encrypted to the standard specified in the extant CBN guidelines.

Furthermore, Operators shall implement appropriate back-up and disaster recovery programs to limit the impact of prolonged disruption including denial of service attacks. Such a program shall include daily comprehensive data back-up; adequately resourced alternate site(s) for IT and other operational activities as well as detailed procedures for responding to material disruptions. The disaster recovery programme shall be tested at least once a year to ensure its continued effectiveness and completeness.

8. OTHER CONSIDERATIONS FOR A RISK MANAGEMENT FRAMEWORK

Payment systems differ widely in form, function, scale, and scope of activities. These characteristics result in differing combinations and levels of risks. Thus, the exact features of a system's risk management framework should be tailored to the risks of that system. Where appropriate, the following should be covered:

8.1. LEGAL AND REGULATORY

- i. Each Scheme Board shall recommend a set of rules for the registration of scheme participants. Aspiring members shall be required to comply with the requirements set by the appropriate scheme board.
- ii. Participants operating in the Nigerian payment space shall be licensed and regulated by the CBN.
- iii. Participants operating in the Nigerian payment space shall ensure they comply with all appropriate CBN Guidelines.
- iv. Participants and Payment Service Providers (PSPs) shall maintain a Compliance Matrix or other appropriate cross referencing tool to ensure and provide proof of compliance with key regulatory requirements.
- v. All participants should have a legal and regulatory risk management policy.
- vi. Participants shall establish an appropriate compliance function within their organisation that provides regular reports to their Board of Directors.



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

8.2. BUSINESS CONTINUITY

- i. Participants shall build adequate redundancies into their operational infrastructures to reduce the risks associated with single points of failure to an acceptable level.
- ii. Participants shall have a robust Operational Risk Management Policy that includes a Business Continuity Strategy and show evidence of compliance with ISO 22301 standards and subsequent standards.
- iii. Participants shall ensure that appropriate business continuity plans covering all critical services are in place and routinely tested. This should include services in the area of networking and good succession plan for critical personnel.
- iv. Scheme Boards and participants shall ensure that all PSPs and other key suppliers have appropriate business continuity plans, covering all critical services, which are routinely tested and available for audit.
- v. Scheme Boards shall encourage improved collaboration among participants e.g. the use of shared services.
- vi. Systemically Important Payment Systems (as defined by the appropriate scheme boards) shall maintain a 'Living Will' to allow for an orderly wind-down procedure should the need arise.

8.3. KNOW YOUR CUSTOMER / CLIENT (KYC)

- i. Scheme participants shall conduct appropriate continuous KYC on all Merchant customers/clients before on-boarding and throughout the life of the relationship.
 - a. As a minimum, the KYC check shall include checks against the appropriate sanction lists including the BVN Watch list.
 - b. KYC shall include adequate understanding and documentation of the Merchant customer's main business lines (Know Your Customer's Business (KYCB) to ensure effective transaction monitoring.
 - c. A Merchant customer/client with any of its directors on the BVN Watch-list database shall be subject to enhanced monitoring.
- ii. Each Scheme Board shall recommend appropriate enhanced monitoring schemes for watch-listed customers/clients Merchant. This shall include setting appropriate transaction limits in terms of volume and value for watch-listed customers/clients Merchant.
- iii. A customer/client/ Merchant shall only be removed from the BVN Watch-list, in line with the BVN Watch-List Framework.
- iv. An Acquirer shall not on-board a Merchant where the Acquirer is aware or reasonably suspects that a Merchant is involved in illegal or illicit business



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

- v. Operators shall comply with CBN guidelines on the set up of Anti-Fraud desk and fraud management system.

8.4. SCHEME OPERATIONS

Each Scheme Board shall:

- i. recommend clear and detailed procedures to govern the day to day operations of the scheme;
- ii. recommend minimum capital requirement for participants. Each scheme shall define clear rules regarding actions to be taken in the event that a participant is unable to meet the prescribed minimum capital requirement and make appropriate recommendations to the CBN;
- iii. recommend a process for reviewing new products within the scheme space. Such reviews shall include a detailed risk assessment that identifies the key risks associated with the product and controls built into the product design;
- iv. conduct an annual risk review of existing products in the scheme space;
- v. agree a unified risk based collateral requirement for participation in the payment space;
- vi. release reports that make the following information public:
 - a. standards to be adopted;
 - b. data on volume and value of transactions;
 - c. emerging risks and trends;
 - d. projections for the industry;
 - e. penalties;
- vii. take adequate steps to retain public confidence in the operations of the scheme, which shall include but not limited to:
 - a. ensuring the availability and reliability of the platform;
 - b. security of transactions;
 - c. transparency of rules and related charges;
 - d. effective communication and strong relationship with key stakeholders; and
 - e. develop strategies for crisis management including assigning specific roles and responsibilities.

8.5. SETTLEMENT RULES AND DEFAULT MANAGEMENT

Each Scheme Board shall:-

- i. recommend clear rules with regards to the irrevocability of transactions, finality of payment and settlement;



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

- ii. recommend and communicate settlement procedures to all participants; furthermore, each participant shall ensure full compliance with settlement rules as it applies to the scheme and take adequate steps to mitigate its exposure to liquidity and credit risks that may impact on the scheme settlement;
- iii. recommend well defined procedure for the management of default. Such procedure shall be in line with existing PFMI; where appropriate, the scheme board shall define who bears any losses that may result from a default, what actions are taken against the defaulting party and any other steps required to ensure the continuity of the scheme;
- iv. develop appropriate credit risk management practices to limit the risk associated with counter party and settlement failure; and
- v. agree a unified risk based collateral requirement for participation in the payment space.

8.6. INFORMATION SECURITY

- i. System operators, Participants and PSPs shall:
 - a. establish and implement Information Security policies that are in line with ISO 27001 standards or subsequent standards; and
 - b. ensure the confidentiality, integrity and availability of all information, systems and networks that are critical to the success of the scheme. The owners of such information, systems and networks shall be responsible for deploying the required resources.
- ii. Scheme Boards shall recommend where appropriate a minimum information security protocol such as PCIDSS for Card Payment System, to ensure the security of transactions and information transmission across the scheme.
- iii. Participants and PSPs shall conduct annual Information Security assessment including penetration and vulnerability tests to ensure it is aware and is taking adequate steps to address current and on-going issues.

8.7. OTHER REQUIREMENTS

- i. Each Scheme Board shall recommend minimum fraud prevention requirements for participants in its scheme.
- ii. Participants shall designate an officer who will be responsible for managing risks relating to payment system.
- iii. Participants shall ensure that adequate risk management practices and processes are implemented across activities that may impact on the Payments System.



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

9. SCHEME SPECIFIC REQUIREMENTS

9.1. CARD PAYMENT SCHEME RISK REQUIREMENTS

- i. Cards shall be produced in accordance with CBN "Guidelines on Card Issuance and Usage in Nigeria" and the Payment Card Industry (PCI) card production security standards; where applicable.
- ii. The handling of cards through the Card Life Cycle shall be in accordance with the minimum standards as defined by PCI Data Security Standards (DSS) and CBN "Guidelines on Card Issuance and Usage in Nigeria" or as may be reviewed from time to time.
- iii. Acquirers shall ensure that Merchants with turnover greater than N10Million/month (with the Acquirer), or as maybe prescribed by the CBN from time to time, screen their employees against the BVN Watch-list at least once a year.
- iv. Once an Acquirer identifies a Merchant or an employee(s) of a Merchant as the source or a participant in fraudulent transactions and related activities; the Acquirer shall propose the Merchant or employee for Watch-listing.
- v. Acquirers shall screen directors and signatories of each Merchant against the BVN watch-list before on-boarding by Acquirers
- vi. Card Payments Scheme Board shall agree and recommend the industry limit on card transactions.
- vii. All Card Not Present (CNP) transactions on Nigerian issued Cards from a Nigerian acquired Merchant shall use a minimum of 2 Factor authentication; with the exception of card on file transactions where the initial transaction must have used 2 factor authentication.
- viii. Participants shall make appropriate investments in IT infrastructure to aid automation and straight through processing, data loss prevention and fraud management.
- ix. Participants shall conduct annual capacity assessment to ensure that adequate infrastructure, skilled personnel, and processes exist to support expected growth in transaction volume and value for the next 12 months.

9.2. RTGS PAYMENT SCHEME RISK REQUIREMENTS

- i. The Scheme Board shall recommend risk parameters and tolerances within which RTGS related payment activities will be conducted.
- ii. Participants shall maintain sufficient funds to effect settlement of payment obligations.



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

- iii. For payments related to clearing sessions, the Board shall ensure that rules and appropriate arrangements exist to allow for immediate settlement of all clearing related obligations under a wide range of potential stress scenarios.
 - iv. The Scheme Board shall take steps to ensure that settlement of payments between multiple banks or participants are conducted in a safe, reliable and repeatable manner to eliminate the need for banks to settle transactions bilaterally.
 - v. Participants shall have appropriate business continuity plan in place. Compliance with ISO 22301 shall be a minimum requirement.
 - vi. The scheme Board in collaboration with CBN shall ensure that annual stress tests, quarterly vulnerability assessment and annual penetration tests of the RTGS system is conducted.
 - vii. The Scheme Board in collaboration with CBN shall ensure that access to RTGS platform is subject to a role based privileges and multi-factor authentication to provide secure access and non-repudiation of transactions.
 - viii. Participants shall ensure sufficient transaction controls and monitoring processes are implemented to prevent errors and omissions to support early detection of fraud.
 - ix. In the event that a participant is unable to settle its obligation, the scheme shall lock the participant's account from all forms of debit transaction (debit freeze) except from clearing. Participation in clearing is subject to clearing rules and regulations.
- 9.3. ACH, CHEQUE AND INSTANT PAYMENT SCHEME RISK REQUIREMENTS**
- i. The Scheme Board in collaboration with CBN shall ensure that each participant provides annual attestation on self-assessment and continuous compliance with regulatory requirements.
 - ii. The Scheme Board in collaboration with CBN shall ensure that Settlement Banks conduct appropriate due diligence on associated non-settlement financial institutions. In addition, settlement banks shall ensure KYC and AML /CFT monitoring on their transactions.
 - iii. The Scheme Board shall encourage participants to actively participate in industry wide fraud management and information sharing initiatives.
- 9.4. MOBILE PAYMENT SCHEME RISK REQUIREMENTS**
- i. The Scheme Board shall encourage operators to conduct continuous customer education to minimize the occurrence of identity theft and other frauds.



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

- ii. The Scheme Board in collaboration with CBN shall ensure a minimum of two-factor authentication shall be applied to all mobile money transactions to reduce the risk of identity theft.
- iii. The Scheme Board in collaboration with CBN shall ensure licensed agents use visible branding/logos at all agent locations.
- iv. Operators have an automated transaction alerting system with updated balance and it is built into the platform to ensure users are notified on completed or truncated transactions.
- v. The Scheme Board in collaboration with CBN shall ensure Operators fee structure is made public and visible at agent location.
- vi. The Scheme Board in collaboration with CBN shall ensure MMOs have a backup pathway for completing transactions when the primary path is unavailable. Back up paths shall be tested on a regular basis.
- vii. The Scheme Board in collaboration with CBN shall ensure data transmitted is adequately secured.
- viii. Participants shall ensure a maximum time allotted for a session. When sessions timeout, transactions shall be rolled back.
- ix. When sessions are terminated, an immediate alert shall be sent indicating termination. During session time, the mobile device shall not be allowed to send same transaction i.e. same amount to the same beneficiary.
- x. Operators shall implement adequate security measures to prevent denial of service on its platform.
- xi. Operators shall conduct due diligence before on boarding and engaging agents.
- xii. Operators shall adhere to the guidelines on Agency Banking.
- xiii. Operators shall ensure that all alerts containing Unique Account Identifier are masked.

10. DISPUTE RESOLUTION

Each scheme shall establish its dispute resolution mechanism to serve as an additional dispute resolution mechanism that will help participants resolve disputes in a timely and cost effective manner.

Disputes that arise between or across schemes may be referred through the Director, Payments System Management Department of the CBN to the PICC for resolution



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

11. RISK MONITORING

Risk is dynamic and as such should be closely and regularly monitored. The respective Scheme Boards and Initiative Working Groups shall conduct on-going monitoring of risks inherent in the payment system, and communicate significant risk events to the Information Security and Risk Management Special Interest Working Group (ISRM SIWG) for aggregation and recommendation of remedial actions.

The following methodologies shall be employed for risk monitoring activities;

- I. Questionnaires,
- II. Risk reports from various scheme boards and
- III. Independent control assessment.

12. RISK REPORTING

Risk reports shall be provided to the CBN and PICC as appropriate. The reports shall contain key risk and remedial actions.

The following reports shall be periodically prepared and circulated:

| S/N | REPORT NAME | DESCRIPTION | RESPONSIBILITY | DISTRIBUTION | FREQUENCY |
|-----|---|--|----------------|--------------|---------------|
| 1. | Independent Risk Assessment of the Payment System Initiatives | Provide independent assessment of the various payment system initiatives | ISRM SIWG | CBN PICC | Quarterly |
| 2. | Scheme Risk Reports | Highlights major risk events faced by each scheme board | SCHEME BOARDS | ISRM SIWG | Quarterly |
| 3. | New Initiative Risk Report | Provides key changes and risks to new initiatives | ISRM SIWG | CBN PICC | On need basis |
| 4. | Emerging Risk Report | Highlight emerging risks due to changes in the payment landscape | ISRM SIWG | CBN PICC | Quarterly |



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

13. CBN OVERSIGHT

The CBN shall monitor and enforce compliance with the provisions of this Framework.



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

14. DEFINITION OF TERMS

The terms below shall have the following meaning for the purpose of this Framework.

1. *ACH Cheque & Instant Payment Scheme Board* means the body that ensures that NIBSS, as a systemically important payment system provider, is robust and has adequate business continuity arrangements.
2. *Acquirer* means bank or any other legal person concluding contracts with Merchants concerning acceptance of payment by means of an electronic payment token.
3. *Arbitration* means resolution of disputes outside the courts.
4. *Automated Clearing House* means an electronic clearing system in which payment orders are exchanged among financial institutions, primarily via magnetic media or telecommunications networks, and handled by a data processing centre.
5. *Availability* means the ability of services and information to be accessed by users when requested.
6. *Bank Verification Number (BVN)* means a biometric identification system implemented by the Central Bank of Nigeria to curb or reduce illegal banking transactions in Nigeria.
7. *Card Life cycle* is the period from the production, storage, issuance, maintenance to the disposal of a payment card.
8. *Card Not Present Transaction* means a payment card transaction made where the cardholder does not or cannot physically present the card for a Merchant's visual examination at the time that an order is given and payment effected, such as for mail-order transactions by mail or fax, or over the telephone or Internet.
9. *Card Payment Scheme Board* refers to the Board that formulates rules, guidelines and frameworks governing the Card Payment Infrastructure with regard to the business, operational and risk management activities of the various stakeholders operating in Nigeria.
10. *Collateral* means an asset that is delivered by the collateral provider to secure an obligation to the collateral taker. Collateral arrangements may take different legal forms; collateral may be obtained using the method of title transfer or pledge.
11. *Critical Data* is information that is vital to the operation of a business



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

12. **Customer/Client:** refers to an individual/entity in account relationship with the regulated institution
13. **Information Security and Risk Management Special Interest Working Group (ISRM SIWG)** refers to the SIWG that is responsible for effectively managing the risks associated with Nigerian Payments System.
14. **Living Will** means a detailed plan stipulating in advance how a systematically important payment system should be liquidated in the event of a collapse to prevent a panic and disorderly disposal of its assets. This is to ensure that the failure of a SIPS does not result in the failure of National Payment System or the whole economy. The contents of living will shall be as stipulated by the Central Bank of Nigeria from time to time.
15. **Mobile Payment Scheme Board** refers to the Board that formulates rules, guidelines and frameworks governing the Mobile Payment Infrastructure with regard to the business, operational and risk management activities of the various stakeholders operating in Nigeria.
16. **Participant** means a party that participates in the Nigerian payment system and which are bound by all the rules governing the payment system.
17. **Payment** means the payer's transfer of a monetary claim on a party acceptable to the payee. Typically, claims take the form of banknotes or deposit balances held at a financial institution or at a central bank.
18. **Payment Card Industry Data Security Standard (PCI DSS)** is an information security standard for organizations that handle branded credit cards from the major card schemes.
19. **Payment Initiative Coordinating Committee (PICC)** refers to the body responsible for driving and overseeing the various payments system initiatives.
20. **Payment Scheme Board (PSB) or Scheme Board** refers to the body that oversees the activities of the various scheme boards. The board will ensure that there is transparency and efficiency in the payment system.
21. **Payment Service Provider (PSPs)** refers to CBN licensed companies that employ the infrastructure of the scheme operator to provide services to end users.
22. **Payment System Operator, System Operator, or Operator** is an entity licensed by the CBN to engage in the operation and/or delivery of payment services within the National Payments System.
23. **Payments System** is a set of instruments, procedures, and rules for the transfer of funds between or among participants; the system includes the participants and the entity



NIGERIAN PAYMENTS SYSTEM

RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

operating the arrangement. Payments system are typically based on an agreement between or among participants and the operator of the arrangement, and the transfer of funds is effected using an agreed-upon operational infrastructure.

24. Payments System Infrastructure refers to various hardware, software, secure telecommunications network and operating environments that are used to manage and operate payments system. This infrastructure supports the clearing and/or settlement of a payment or funds transfer request after it has been initiated.
25. PCI DSS stands for Payment Card Industry Data Security Standard. It was developed to encourage and enhance cardholder data security and facilitate the broad adoption of consistent data security measures globally. (See www.pcisecuritystandards.org/documents/PCI_DSS_v3-1.pdf)
26. Real-Time Gross Settlement (RTGS) is a payment system in which processing and settlement of high value funds occur on real time (that is without deferral) and gross (i.e. transaction by transaction) among participants. The core feature is that payment instructions are settled only on funded accounts at the Central Bank of Nigeria and settlements are final and irrevocable.
27. RTGS Payment Scheme Board refers to the body responsible for ensuring that there is adequate measurement and management of liquidity, credit and operational risk management in the payment system
28. Systemically Important Payment System (SIPS) are major real time clearing, settlement and other payment systems that share the characteristic that a failure of one or more of these systems could endanger the operation of the National payment system or the whole economy. Each Scheme Board shall with the approval of the CBN determine from time to time the list of SIPS within their scheme
29. Systemic Risk is the failure of one or more participants to settle their payments obligation leading to credit or liquidity problems for other participants.



CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

PSM/DIR/GEN/CIR/01/019

December 30, 2019

To: **Merchant Acquirers, Deposit Money Banks (Issuers), Payment Service Providers and Card Schemes**

CIRCULAR ON PRE-AUTHORISATION OF CARDS IN NIGERIA

As part of its commitment to facilitate the development of the Nigerian payments system and deepen the adoption of various electronic payment options available to users, the Central Bank of Nigeria (CBN) has identified the predominant use of single messaging format for POS transactions as an obstacle to the use of pre-authorisation as a mode of payment in Nigeria.

In order to enable pre-authorisation and sales-completion of card transactions, the CBN hereby directs as follow:

- a. All merchant acquirers are required to obtain Acquirer Device Validation certification or the applicable testing completion notification from CBN licensed card schemes.
- b. By this directive, all POS Terminals must have the capability for transaction pre-authorisation and sales completion.
- c. PTSA (NIBSS) to ensure that only banks that have conducted and obtained PoS Terminal Validation Certificate for pre-authorisation and sales-completion from the relevant card schemes, have their PoS Terminals registered on the Central Terminal Management System.
- d. All card issuers are required to build the capability and enable the processes for pre-authorisation and sales-completion of transactions.
- e. Card Schemes are also required to provide online simulators for acquirers and issuers to test their systems, when necessary.

This circular takes immediate effect, but with a deadline of July 31, 2020 for full compliance, after which appropriate sanctions would be imposed for contraventions and non-compliance.


Musa I. Jimoh

Director, Payments System Management Department



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PSM/DIR/GEN/CIR/01/016

October 16, 2019

To: Deposit Money Banks

RE: IMPLEMENTATION OF THE CASH-LESS POLICY

Further to our previous circular on "Implementation of the Cash-less Policy" please be informed that currently, the following are the existing exemptions until March 31, 2020 when it will be reviewed:

- a) Revenue generating accounts of the Federal, State and Local Governments
- b) Embassies, Diplomatic Missions, Multilateral Agencies, Aid Donor Agencies in Nigeria, Ministries, Departments and Agencies of Government (revenue collection only)
- c) Mobile Money Operators (Float accounts only)
- d) Microfinance Banks (MFBs) and Primary Mortgage Institutions (PMIs) accounts with DMBs

Kindly ensure compliance.

Best regards,


16/10/19

Sam C. Okojere
Director, Payments System Management Department



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
Tel: 09 462 38300, 09 462 38346
e-mail: psmd@cbn.gov.ng
website: www.cbn.gov.ng

CENTRAL BANK OF NIGERIA
Central Business District,
Cadastral Zone AO
P.M.B. 0187, Garki
Abuja.

PSM/DIR/CON/CWO/02/091

October 10, 2019

To: All Deposit Money Banks; and Other Financial Institutions.

CIRCULAR ON THE REGULATION FOR THE OPERATION OF INDIRECT PARTICIPANTS IN THE PAYMENTS SYSTEM

The Central Bank of Nigeria (CBN), in furtherance of its mandate for the development of electronic payments system in Nigeria, hereby issues the Regulation for the Operation of Indirect Participants in the Payments System, **with effect from 11th November, 2019.**

Please, be guided accordingly.

Thank you for your usual cooperation

A handwritten signature in blue ink, appearing to read 'S. Okojere' with a date '10/10/19' written below it.

Sam C. Okojere
Director, Payments System Management Department

REGULATION
FOR THE OPERATION OF INDIRECT PARTICIPANTS IN THE
PAYMENTS SYSTEM

Date: November 11, 2019

1.0 Preamble

In exercise of the powers conferred on the Central Bank of Nigeria (CBN) under the CBN Act 2007 to promote sound financial system in Nigeria, issue regulations to facilitate the development of an efficient and effective payments system in Nigeria, the CBN hereby issues the Regulation for the Operation of Indirect Participants in the Payments System (this Regulation).

1.1 Objectives

The objectives of this Regulation shall be to:

- 1.1.1. set out the procedures for effective integration of indirect participants in the payments system in Nigeria;
- 1.1.2. standardise the operation of indirect participants in the payments system, taking into cognisance their operational risks;
- 1.1.3. provide mechanism and framework for the clearing and settlement of indirect participants payment instruments through the direct participating banks; and
- 1.1.4. strengthen indirect participants for effective contribution to digital financial services in Nigeria.

2.0 Minimum Criteria

To qualify as an indirect participant, an institution shall:

- 2.1.1 have a satisfactory risk-based rating from the CBN and secure a letter of recommendation from its direct participating bank, signed by the Chief Risk Officer and an Executive Director of the direct participating bank; and
- 2.1.2 comply with the NUBAN Standards.

3.0 General Principles

- 3.1 Only direct participating banks are permitted to settle payment obligations of indirect participants.
- 3.2 An indirect participant shall settle all its payments obligations through only one direct participating bank per payment scheme at any given time.

- 3.3 The relationship between a direct participating bank and an indirect participant shall be governed by a Settlement Agreement.
- 3.4 Where the account of an indirect participant with a direct participating bank is not adequately funded, the direct participating bank may decline further settlement services to the indirect participant and inform the payment processor accordingly.
- 3.5 Except as otherwise agreed, a direct participating bank or an indirect participant shall give at least thirty (30) days' notice to the other party before terminating the Settlement Agreement for any other reason apart from the circumstances in 3.4. The terminating party shall notify the Payments Service Provider (PSP) of its intention to terminate.
- 3.6 A direct participating bank and an indirect participating bank shall enter into a bilateral agreement to guide the relationship.
- 3.7 Where an indirect participant connects directly to a PSP for transaction processing, the indirect participant, direct participating bank, and the PSP shall enter into a tripartite Agreement.
- 3.8 Where the direct participating bank is not a settlement bank, it shall obtain written consent of its settlement bank prior to establishing settlement relationship with an indirect participant.
- 3.9 The settlement limits agreed between the direct and indirect participants shall be monitored and enforced as agreed by the parties.
- 3.10 Indirect participants shall process their e-reference instruments through the direct participating bank or directly, through the Nigeria Inter-Bank Settlement System (NIBSS).
 - a. In the latter option, NIBSS shall indicate the source (bank, indirect participant) of the e-reference requests.
 - b. The receiving bank shall not discriminate between e-references originating from banks and indirect participants.

4.0 Obligations of Indirect Participants

An indirect participant shall:

- 4.1 comply with the applicable provisions of the Nigeria Bankers' Clearing System Rules (NBCS);
- 4.2 maintain a settlement account(s) with the direct participating bank wherein the net settlement position of the indirect participants shall be credited or debited as may

be appropriate after each settlement session (hereinafter called "the Settlement Account");

- 4.3 pledge collateral in an amount as agreed with the direct participating bank which shall serve as security for settlement obligations;
- 4.4 indemnify and hold the direct participating bank harmless in respect of any liability or loss whether direct or indirect that may arise as a result of this agreement; accordingly, indirect participants hereby undertake to be primarily responsible and liable for all instruments presented for processing;
- 4.5 pay settlement fee to the direct participating bank annually or as may be agreed by the parties;
- 4.6 make up any shortfall in the clearing collateral before the commencement of the next settlement window in the event of a shortfall or re-discount to bring the aggregate value of the collateral up to the agreed minimum value as specified in the Settlement Agreement or subsequent review of the collateral amount; and
- 4.7 undertake to bear the cost of re-discounting the collateral necessitated by a need to recover the debit balance in the Settlement Account.

5.0 Components of the Payments System

Indirect participants may take part in any of the following payments operations:

- a. Cheque Clearing;
- b. EFT & Bulk Payments;
- c. Instant Payments;
- d. Card Issuance;
- e. Card Transaction Acquiring (ATM, POS, Web,etc.);
- f. Portals (e-Reference, Anti-Fraud, e-Signatory, e-Passport, etc.);
- g. Bank Verification Number System; and
- h. Any other component approved by the CBN.

Specific conditions applicable to indirect participants for the individual component are described below.

5.1 Cheque Clearing

Relevant provisions of the Nigeria Cheque Standards and the NBCS Rules shall apply.

5.2 EFT, Bulk Payments, and Instant Payments

- 5.2.1 An indirect participant shall provide end-to-end electronic payment services to its customers, leveraging its relationship with its direct participating bank and PSP.
- 5.2.2 An indirect participant shall process its instruments through its direct participating bank or directly through the PSP.
- 5.2.3 A direct participating bank shall ensure that its indirect participant(s) comply with the rules and regulations guiding EFT operations.
- 5.2.4 All relevant provisions of the Regulation on Instant (Inter-bank) Electronic Funds Transfer Services in Nigeria shall apply.
- 5.2.5 Direct participating banks and indirect participants shall provide necessary functionalities on deployed service delivery channels to enable their customers to transfer and receive funds seamlessly.

5.3 Card Issuance

- 5.3.1 Indirect participants may issue payment cards only on the authority of licensed payment card issuers.
- 5.3.2 The licensed payment card issuer shall be responsible for the operations of the indirect participants.

5.4 Card Transaction Acquiring (ATM, PoS, Web, etc.)

- 5.4.1 Indirect participants may acquire payment card transactions only on the authority of licensed acquirers.
- 5.4.2 The licensed acquirer shall be responsible for the operation of the indirect participant.

5.5 Industry Portals

5.5.1 Electronic Reference System (e-Reference)

- 5.5.1.1 An indirect participant shall process its e-References through its direct participating bank or directly through a PSP.

- 5.5.1.2 Where the indirect participant processes its e-References directly, the PSP shall clearly indicate source (bank, indirect participant) of the e-reference requests.
- 5.5.1.3 A receiving bank shall not discriminate between e-references originating from direct participating banks and indirect participant(s).
- 5.5.1.4 A direct participating bank shall be responsible for the operations of its indirect participant(s).

5.5.2 Bank Verification Number System

An indirect participant shall:

- 5.5.2.1 enrol its customers by itself, through a direct participating bank or a licensed Super-Agent.
- 5.5.2.2 process its validation and verification requests by itself or through a direct participating bank.
- 5.5.2.3 comply with the approved Regulatory Framework for BVN Operations and Watch-list for the Nigerian Banking Industry.

5.5.3 Others (Anti-Fraud, e-Signatory, e-Passport, etc.)

- 5.5.3.1 Indirect participants shall comply with all relevant Regulations relating to Anti-Fraud, e-Signatory, e-Passport and other relevant portals.

6.0 Adjudication of Disputes

Any dispute between indirect participant and its direct participating bank shall be resolved according to the provisions of the Agreement between the parties. However, where a resolution could not be reached, such disputes shall be referred to the CBN for adjudication.

7.0 Abuse and Sanctions

The prescribed sanctions in the regulation for the relevant payment operation shall apply.

8.0 Amendments

Any amendment to this Regulation may be proposed by a stakeholder through a written request addressed to the Director, Payments System Management Department of the Central Bank of Nigeria.

9.0 Appendix: Definitions

The terms below shall have the following meaning for the purpose of this Regulations.

BN means Bank Verification Number

CBN means Central Bank of Nigeria

Direct Participating Bank means a Direct Participant who performs Settlement function to an Indirect Participant.

EFT means Electronic Funds Transfer

Indirect Participant means a licensed deposit-taking institution which is a non-clearing financial institution but settle its payments obligations through direct participating bank.

NIBSS means Nigeria Inter-Bank Settlement System Plc

NUBAN means Nigeria Uniform Bank Account Number

PSP means Payments Service Providers which process payments for licensed financial institutions

NBCS means Nigeria Bankers' Clearing System.



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT

CENTRAL BANK OF NIGERIA

Central Business District
P.M.B. 0187,
Garki, Abuja.
+234 (0) 946238346

September 17, 2019

Ref: PSM/DIR/CON/CWO/02/014

To: Deposit Money Banks

RE: IMPLEMENTATION OF THE CASHLESS POLICY

Further to our circular ref BPS/DIR/GEN/CIR/04/004 we write to inform all Deposit Money Banks that the Central Bank of Nigeria (CBN) has approved that:

1. Charges on deposits shall apply in Lagos, Ogun, Kano, Abia, Anambra, Rivers states and the FCT, in addition to already existing charges on withdrawals, effective September 18, 2019. Details are as follows:

| Account Type | Withdrawal/ lodgment limits | Processing fees for withdrawals | Processing fees for Lodgments |
|--------------|--------------------------------|------------------------------------|----------------------------------|
| Individual | Above N500,000 | 3% | 2% |
| Corporate | Above N3,000,000 | 5% | 3% |

2. Nationwide implementation of the cashless policy will take effect from March 31, 2020.

Please ensure strict compliance


Sam C. Okojere

Director, Payments System Management Department



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT

CENTRAL BANK OF NIGERIA

Central Business District
P.M.B. 0187,
Garki, Abuja.
+234 (0) 946238346

September 17, 2019

Ref: PSM/DIR/CON/CWO/02/015

ALL BANKS
PROCESSORS/SWITCHES

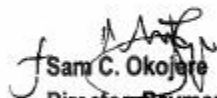
REVIEW OF PROCESS FOR MERCHANTS COLLECTIONS ON ELECTRONIC TRANSACTIONS

The Central Bank of Nigeria (CBN), hereby reviews the process for merchant settlement to further deepen financial inclusion and enhance the efficiency of the Nigerian payments system.

Accordingly, the CBN has approved new policies as follows:

- a. Banks shall unbundle merchant settlement amounts and charge applicable taxes and duties on individual transactions as stipulated by regulations.
- b. Merchant Service Charge (MSC) has been reviewed downward from 0.75% capped at N1,200 to 0.50% capped at N1,000.

This directive takes effect from September 17, 2019.


Sam C. Okojare

Director, Payments System Management Department



**REGULATION ON ELECTRONIC PAYMENTS AND
COLLECTIONS FOR PUBLIC AND PRIVATE SECTORS IN
NIGERIA**

REVISED 2019

TABLE OF CONTENTS

| | |
|--|----------|
| PART 1 | 2 |
| 1. PREAMBLE | 2 |
| 2. OBJECTIVE | 2 |
| 3. SCOPE | 2 |
| 4. ROLES AND RESPONSIBILITIES | 3 |
| 4.1. THE CBN | 3 |
| 4.2. CBN REGULATED STAKEHOLDERS | 3 |
| 4.2.1. Deposit Money Banks (DMBs), Other Financial Institutions (OFIs) and Mobile Money Operators (MMOs) | 3 |
| 4.2.2. Payment Solution Service Providers (PSSPs) | 4 |
| 5. INFRACTIONS AND SANCTIONS | 5 |
| PART 2 | 5 |
| 6. OPERATIONAL STANDARDS FOR OTHER STAKEHOLDERS | 5 |
| 6.1 Payers | 5 |
| 6.2 Beneficiaries | 6 |
| 6.2.1 Employees and Pensioners | 6 |
| 6.2.2 Suppliers | 7 |
| 6.2.3 Taxes, Levies, Dues (& other revenue) Collecting Organizations | 7 |
| 6.2.4 Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) | 8 |
| 7. MISCELLANEOUS | 8 |
| 7.1 DISPUTE RESOLUTION | 8 |
| 7.2 COMPLIANCE | 9 |
| 8. DEFINITION OF TERMS | 9 |
| 9. COMMENCEMENT | 11 |
| SCHEDULE 1 | 12 |
| Infractions and sanctions for DMBs, OFIs and MMOs | 12 |
| SCHEDULE 2 | 14 |
| Infractions and sanctions for PSSPs | 14 |

REGULATION ON ELECTRONIC PAYMENTS AND COLLECTIONS FOR PUBLIC AND PRIVATE SECTORS IN NIGERIA

PART 1

1. PREAMBLE

The Central Bank of Nigeria (CBN) the Bank in exercise of its powers under the CBN Act, 2007, hereby issues the Regulation on Electronic Payments and Collections for Public and Private Sectors in Nigeria (the Regulation).

The Regulation is a revision of the *Guidelines on Electronic Payment of Salaries, Pensions, Suppliers and Taxes in Nigeria (2014)*, and is intended to guide the end-to-end electronic payment of salaries, pensions and other remittances, suppliers and revenue collections in Nigeria.

2. OBJECTIVE

The objective of the Regulation is to fully align with the core objectives of the National Payments System Vision 2020 (PSV2020) to ensure the availability of safe, effective and efficient mechanisms for conveniently making and receiving all types of payments from any location and at any time, through multiple electronic channels. This will reduce the time and costs of transactions, minimise leakages in revenue receipts and at the same time provide reliable audit trails, thereby ensuring that the Nigerian Payments System aligns with international best practices.

This Regulation is therefore set out to provide all stakeholders with the operational procedures that guide end-to-end electronic payment for the Public and Private Sector.

3. SCOPE

This Regulation applies to all CBN regulated entities operating in Nigeria and mandates adoption, implementation and compliance with the directives on end-to-end electronic payments of all forms of salaries, pensions & other remittances, suppliers, revenue collections including but not limited to taxes, levies, penalties, recoveries, assessments, and the disbursement of funds for social programs payments bills, honorarium, scholarships, allowances, etc. herein referred to collectively as *'payments and collections'*

4. ROLES AND RESPONSIBILITIES

4.1. THE CBN

Shall -

- a) promote the adoption of end-to-end electronic payment by all Stakeholders;
- b) license end-to-end electronic payment solution, systems and service providers, regulate and supervise their operations;
- c) create and maintain a platform for constant interaction and engagement of all electronic payment industry stakeholders;
- d) ensure all statutory payments, remittances and collections of all revenues are undertaken only on a CBN approved end-to-end electronic payment platform;
- e) ensure constant review and update of this Regulation to reflect new developments that can support the long-term success of the initiative;
- f) adjudicate in the cases of disputes;
- g) maintain a Help Desk to provide enlightenment, receive complaints and monitor resolution of the reported cases and publish customer service/contact details via multiple platforms;
- h) collaborate with other statutory and regulatory agencies whose cooperation is required for the effective implementation of this Regulation.

4.2. CBN REGULATED STAKEHOLDERS

The CBN regulated stakeholders refer to all financial institutions, Payments Service Providers and other entities licensed and regulated by the CBN which includes, but not limited to the following:

4.2.1. Deposit Money Banks (DMBs), Other Financial Institutions (OFIs) and Mobile Money Operators (MMOs)

DMBs, OFIs and MMOs shall -

- a) promote the adoption of end-to-end electronic payments by all stakeholders covered by this Regulation;
- b) provide payers and beneficiaries with appropriate accounts with DMBs, OFIs or any other approved channel for receiving payments such as mobile money/electronic wallet, subject to the CBN's approved KYC limits;

- c) process electronic payment instructions in accordance with subsisting payments system and clearing system rules;
- d) publish customer service/ contact centres details via multiple media channels and maintain customer service contact centres, to promptly attend to all electronic payment enquiries and challenges within stipulated timelines; and report of customer complaints, indicating resolution status;
- e) make available any or combination of the following data sets, as may be applicable, along with the mandatory returns to the CBN, on a monthly basis or as may be otherwise specified:
 - I. Number of salary/pension/supplier/tax paying organisations
 - II. Salaries/pension/supplier/tax payment transactions count
 - III. Salaries/pension/supplier/tax payment transactions value per payment method given below;
 - o End-to-end;
 - o Bank Assist;
 - o Cheques;
 - o Manual;
- f) in the event of duplicated/excess payments, establish a recovery process engaging both Payers and Beneficiaries in line with subsisting CBN Regulation.

4.2.2. Payment Solution Service Providers (PSSPs)

A PSSP shall -

- a) obtain a license from the CBN to operate as a PSSP;
- b) offer CBN approved end-to-end electronic payment solutions, systems and services to all stakeholders;
- c) publish customer service/contact details via multiple media and maintain customer service contact centres to promptly attend to all electronic payment enquiries and complaints;
- d) make available any or combination of the following data sets, as may be applicable, along with the mandatory returns to the CBN, on a monthly basis or as may be otherwise specified:
 - I. Number of salary/pension/tax paying client organisations;
 - II. Salaries/pension/tax payment transactions count;

- III. Salaries/pension/suppliers/tax payment transactions value per payment method given below;
 - o End-to-end
 - o Bank Assist
 - o Cheques
 - o Manual
- e) comply with transaction completion and unapplied funds return timelines as stipulated by the CBN.

5. INFRACTIONS AND SANCTIONS

- 5.1. Any DMB, OFI or MMO that fails to discharge the responsibilities under Section 4.2.1 as detailed in 'Schedule 1' of this Regulation shall be penalised as provided in the Schedule.
- 5.2. Any PSSP that fails to discharge the responsibilities under Section 4.2.2 as detailed in 'Schedule 2' of this Regulation shall be penalised as provided in the Schedule.

PART 2

6. OPERATIONAL STANDARDS FOR OTHER STAKEHOLDERS

This section refers to all other stakeholders which are not regulated by the CBN. They include, but are not limited to the following:

6.1 Payers

Payers shall -

- a) adopt end-to-end electronic payment of salaries for employee staff strength of 20 and above;
- b) maintain appropriate account with DMBs or OFIs;
- c) adopt a CBN approved end-to-end electronic payment platform and use for all forms of payment and collections;
- d) provide basic infrastructure for making and receiving electronic payments;
- e) ensure employees are given basic training to use adopted platform;

- f) use only validated account details to ensure payments are made to intended beneficiaries;
- g) remit taxes and other statutory payments along with associated electronic schedules on a CBN approved end-to-end e-payment platform;
- h) remit contributory pension funds into the bank accounts of Pension Fund Administrators maintained with Pension Fund Custodians, with associated electronic schedules, only on a CBN approved platform;
- i) bear the cost of electronic payments and electronic schedules transmission while ensuring beneficiaries receive actual amounts due to them. Where other arrangement exists, it must be mutually agreed between the payer and beneficiary;
- j) provide evidence of payment to beneficiaries;
- k) indicate adherence with this Regulation in annual reports;
- l) report all unresolved e-payment challenges to the CBN contact centres on Tel: +234 700 225 5226; email: contactcbn@cbn.gov.ng or cpd@cbn.gov.ng

6.2 Beneficiaries

In this Regulation, Beneficiaries shall include the following:

6.2.1 Employers and Pensioners

All Employers and Pensioners shall (as applicable) –

- a) maintain appropriate bank accounts with Deposit Money Banks, Other Financial Institutions or any other approved channel for receiving payments such as mobile money/electronic wallet, subject to the CBN's approved KYC limits;
- b) provide valid account and contact details to the Payer;
- c) report cases of non-payment, delayed payment or wrong payment of salaries/contributory pension remittances carried out on a CBN approved e-payment platform, to the Payer;
- d) register and maintain a Retirement Savings Account (RSA) with a licensed Pension Fund Administrator (PFA);
- e) report known cases of use of Payment Platforms not approved by the CBN to Consumer Protection Department; cpd@cbn.gov.ng
- f) report cases of non-compliance with e-payments by payers, as contained in this Regulation, to the CBN;

- g) report all wrongfully received funds or excess payments to his financial institution customer service desk and make same available for refund to the payer;
- h) in the event of duplicated/excess payment not noticed but withdrawn by the beneficiary, the beneficiary shall make funds available for refund to the payer. Non-compliance shall result in placement of the beneficiary on the BVN Watch-list.

6.2.2. Suppliers

All suppliers shall -

- a) maintain appropriate bank account with DMBs, OFIs or any other channel for receiving payments, such as mobile money/electronic wallet, approved by the CBN;
- b) provide correct account and contact details to the payers;
- c) obtain and provide details of Tax Identification Number (TIN) to the payers;
- d) report cases of non-payment, delayed payment or wrong payment carried out on the CBN approved e-payment platform to the payers;
- e) report all wrongfully received funds or excess payments to his financial institution customer service desk and make same available for refund to the payer; and
- f) in the event of duplicated/excess payment not noticed but withdrawn by the beneficiary, the beneficiary shall make funds available for refund to the payer in line with the Regulation on Instant (Inter-Bank) Electronic Funds Transfer Services in Nigeria, non-compliance shall result in placement of the beneficiary on the BVN watch-list.

6.2.3. Taxes, Levies, Dues (& other revenue) Collecting Organizations

All Taxes, statutory levies, receipts, assessments, penalties and dues collecting organisations shall:

- a) maintain appropriate collection accounts with the CBN or DMB/OFIs;
- b) publicly make available details of electronic payments processes for collections;
- c) provide clear details of the nature and amount of taxes, statutory levies and dues expected from payers;
- d) adopt a CBN approved electronic collection solution [[List of approved PSSPs](#)] for the collection of all forms of taxes, duties, levies, other

- collections and the associated electronic schedules of such payments;
- e) provide basic infrastructure for confirming receipt of electronic payments and associated electronic schedules;
 - f) ensure employees are given basic training to use adopted CBN approved e-payment and collection platform;
 - g) ensure seamless interface between in-house systems and adopted CBN approved e-payment and collection platform, to ensure records of all collected payments are automatically reflected against tax payers' records on in-house systems;
 - h) provide evidence of payment to payers at the point of payment;
 - i) publish customer service contact details and maintain contact centres to attend to electronic payment enquiries and challenges; and
 - j) publish a dispute resolution/refund process.

6.2.4. Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs)

All PFAs and PFCs shall:

- a) maintain appropriate accounts with CBN approved Financial Institutions to facilitate the provisions of 'Part XI' of the PENCOM Act;
- b) provide details of the accounts to Pension Remitting Organisations;
- c) adopt a CBN approved platform [[List of approved PSSPs](#)] for the receipt of all contributory pension fund remittances and associated electronic schedules;
- d) provide basic infrastructure for confirming receipt of electronic payments and associated electronic schedules;
- e) ensure seamless interface between in-house systems and adopted CBN approved e-payment platform to ensure pension remittances are automatically reflected against contributors' records on in-house systems; and
- f) provide evidence of receipt of pension remittances to organisations at the point of payment.

7. MISCELLANEOUS

7.1 DISPUTE RESOLUTION

Any dispute, controversy or claim arising out of or relating to this Regulation or the

breach, termination or invalidity thereof shall be settled in accordance with the CBN's dispute resolution mechanism and if unresolved may be referred for arbitration in accordance with the rules for arbitration of the Regional Centre for International Commercial Arbitration, Lagos, Nigeria.

7.2 COMPLIANCE

Further to the implementation of the Guideline on end-to-end electronic payment of salaries, pensions, suppliers and taxes by all public and private sector organisations as directed in the CBN Guidelines referenced [CBN/BPS/PSV/GEN/014/05], DMBs are to dishonor payment instructions for all forms of salaries, pensions, suppliers and taxes not transmitted on a CBN approved straight through electronic payment and collection platform issued by organisations with more than 20 employees.

This means payment instructions and associated schedules are no longer to be transmitted to DMBs through unsecured channels, such as paper-based mandates, flash drives, compact discs (CDs), email attachments, etc. by qualifying public and private sector organisations.

8. DEFINITION OF TERMS

In this Regulation, the terms below shall have the following meaning:

ACH – Automated Clearing House System.

ATM – Automated Teller Machine.

CBN – Central Bank of Nigeria.

Bank Assist – payments made by public & private organisations by providing payment schedules in an electronic format to the paying bank to upload and process payments to employees or other beneficiaries on their behalf.

Beneficiaries – recipients of funds paid using a CBN approved platform.

BVN watch-list – a database of bank customers identified by their BVNs, who have been involved in confirmed fraudulent activities.

Cheques – payments made by public & private organisations by issuing their account cheques to employees or other beneficiaries.

DMB – Deposit Money Bank.

End-to-end – Payments made by public & private organisations using an electronic platform that transmits instructions to debit payer's account and

credit a beneficiary's account or electronic wallet without manual intervention.

End-to-End Electronic Payment – the seamless electronic processing of all forms of salaries, pensions and other remittances, suppliers and revenue collections on a CBN approved electronic platform which transmits the instruction to debit a payer's account and credit a beneficiary's account or any other electronic channels without depending on any third party, manual or semi-manual means.

KYC – Know Your Customer

Manual – payments made by public & private organisations by providing written instructions & schedules to the paying bank to process payments on behalf of the payer.

MMO – Mobile Money Operator

OFI – Other Financial Institution(s)

Payer – the party instructing the payment of funds using a CBN approved payment platform.

PSSP – organisations licensed by the CBN to provide technical or technology infrastructure, software solutions or services for facilitating end-to-end electronic payment to financial institutions or their customers.

PENCOM – National Pension Commission

PFA – Pension Fund Administrator

PFC – Pension Fund Custodian

Private Sector – Organisations/Business entities not managed or operated by government

Public Sector – Ministries, Departments and Agencies of Government at Federal, State and Local Government levels

RTGS – Real Time Gross Settlement System

Suppliers include contractors or vendors whether organisations or individuals offering goods or services in exchange for payment

Stakeholders – all participants in an end to end electronic payment including public and private sector organisations, employees, pensioners, suppliers and taxpayers.

CBN Regulated stakeholders – participants licensed by the CBN to provide payment services.

TIN – Tax Identification Number.

9. COMMENCEMENT

This Regulation shall take effect from the date of its issuance by the CBN.

APPROVED

SCHEDULE 1

Infractions and sanctions for DMBs, OFIs and MMOs

| SN | Responsibility | Compliance | Infraction | Sanction |
|----|--|---|---|---|
| 1 | Ensure consummation of all electronic payments within timelines stipulated by the CBN under extant Regulations or Guidelines on the electronic payment channel utilised. | <p>a) Application of funds to beneficiaries' accounts as prescribed by the CBN.</p> <p>b) Return unapplied funds to payer's account as prescribed in the relevant payment channel regulation.</p> | <p>a) Transactions not consummated within the timelines prescribed in the relevant Payment channel regulation.</p> <p>b) Non-return of un-applied funds to payer's account within 24 hours.</p> | <p>a) Penalty of ₦1,000 per transaction or any part thereof not consummated within stipulated timeline.</p> <p>b) Funds to be returned at the prevailing MPR for the period and report of infraction in annual report.</p> <p>c) Other penalty as may be applicable in the relevant payment channel regulation.</p> |
| 2 | Provide quarterly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the CBN by the stipulated deadlines | Provision of quarterly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the CBN on time. | <p>a) Non-provision of quarterly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the CBN.</p> <p>b) Submission of false or inaccurate reports.</p> | <p>a) ₦5,000 penalty for each day for which report is not provided to the CBN.</p> <p>b) Penalty of ₦250,000 and a warning letter to the Managing Director.</p> |
| 3 | Provide monthly report to the CBN on reported complaints & resolution status. | Provision of monthly report on reported complaints & resolution to the CBN. | <p>a) Non-Provision of monthly report on reported complaints & resolution status to the CBN.</p> <p>b) Submission of false or inaccurate reports.</p> | <p>a) ₦5,000 penalty for each day for which report is not provided to the CBN.</p> <p>b) Penalty of ₦250, 000 and a warning letter to the Managing Director.</p> |

| | | | | |
|---|---|--|---|---|
| 4 | Ensure 3 rd party end-to-end e-payment solution used by the bank/financial service provider is approved by CBN. | 3 rd party e-payment solution offered to customers must be approved by CBN. | 3 rd party e-payment solution is not approved by CBN. | <p>a) terminate use of the unapproved end-to-end e-payment solution.</p> <p>b) Warning letter to the Managing Director.</p> <p>c) Penalty of N2 million for DMB and N1 million for OFIs on every repeated occurrence.</p> |
| 5 | Maintain and publish details of a functional help desk/contact centres for receiving enquiries, complaints & providing feedback on reported e-payment issue as directed in the CBN Circular to DMBs, Discount Houses and OFIs to establish a Consumer Complaint Help Desk ref [FPR/DIR/CIR/GEN/01/020]. | <p>a) Maintain help desk/contact centres to receive enquiries, complaints & provide feedback on reported e-payment issues.</p> <p>b) Publish contact details of e-payment help desk.</p> | Non-availability of help desk/contact centres to receive enquiries, complaints and provide feedback on e-payment issues. | <p>a) Bear costs of all unresolved disputes as a result.</p> <p>b) Other appropriate sanctions could apply as stated in the CBN Circular ref [FPR/DIR/CIR/GEN/01/020].</p> |
| 6 | Receiving bank to notify beneficiaries through SMS, email or any other automated channel with details of payment received. | a) Beneficiaries receive automated notification when account is credited in accordance with the CBN's regulation. | a) Non-provision of evidence that an automated notification was sent to beneficiaries who signed-up for the alert services and charges applied. | a) CBN or Solution provider whose e-platform would refund the charges at twice the value deducted. |

SCHEDULE 2

Infractions and sanctions for PSSPs

| SN | Responsibility | Compliance | Infraction | Sanction |
|----|--|--|---|--|
| 1 | Obtain and maintain a license from the CBN to operate as an end-to-end e-payment system service provider. | Obtain and maintain a license from the CBN to provide end-to-end e-payment solution system and services. | Providing e-payment system solution or services without obtaining a license from the CBN. | <p>a) Shall NOT be issued a license by CBN to operate as a PSSP for a minimum of 1 year from the date infraction is detected.</p> <p>b) CBN shall report the defaulting PSSP to the appropriate law enforcement agency.</p> |
| 2 | Ensure end-to-end e-payment solution offered is approved by CBN. | e-payment solution offered to customers must be approved by CBN. | e-payment solution is not approved by CBN. | <p>a) Shall immediately cease the provision or offering of such un-approved e-payment solutions.</p> <p>b) Penalty of N1million on every occurrence.</p> |
| 3 | Ensure consummation of all electronic payments within timelines stipulated by the CBN under extant Regulations or Guidelines on the electronic payment channel utilised. | <p>a) Ensure completion of transaction and payment to beneficiaries' accounts within timelines stipulated in the relevant payment channel regulation.</p> <p>b) Return unapplied funds to payer's account within timelines stipulated in the relevant payment channel rules.</p> | <p>a) Non completion of transactions within stipulated timelines due to challenges with solution provider's platform or operational inefficiency.</p> <p>b) Non-return of un-applied funds within stipulated timelines.</p> | <p>a) Penalty of ₦ 1,000 for every transaction.</p> <p>b) Penalty of ₦ 1,000 for every transaction delayed.</p> <p>c) Other penalty as may be applicable in the relevant Payment channel regulation.</p> |
| 4 | Provide quarterly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the CBN by the stipulated deadlines. | Provision of quarterly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the CBN on time. | <p>a) Non-provision of quarterly report on end-to-end e-payment of salaries, pensions, suppliers & taxes to the CBN.</p> <p>b) Submission of false or inaccurate reports.</p> | <p>a) N5,000 penalty for each day for which report is not provided to the CBN.</p> <p>b) Penalty of N50, 000 and a warning letter to the Managing Director.</p> <p>c) Suspension of license/approval after 3 consecutive repeated occurrences of either infraction (a) or (b) until reports are made available to the CBN.</p> |

| SN | Responsibility | Compliance | Infraction | Sanction |
|----|--|--|--|--|
| 5 | Provide monthly report on reported complaints & resolution status on end-to-end e-payment to the CBN | Provision of monthly report on reported complaints & resolution to the CBN | <p>a) Non-Provision of monthly report on reported complaints & resolution status to CBN.</p> <p>b) Submission of false or inaccurate reports</p> | <p>a) N5,000 penalty for each day for which report is not provided to the CBN.</p> <p>b) Penalty of N50, 000 and a warning letter to the Managing Director.</p> <p>c) Suspension of license/approval for after 3 consecutive repeated occurrences of either infraction (a) or (b) until reports are made available to the CBN.</p> |

APPROVED



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT

CENTRAL BANK OF NIGERIA

Central Business District
P.M.B. 0187,
Garki, Abuja.
+234 (0) 946238346

PSM/DIR/GEN/CIR/01/011

July 4, 2019

TO: ALL DEPOSIT MONEY BANKS

OPERATION OF MOBILE MONEY WALLETS BY DEPOSIT MONEY BANKS

The Central Bank of Nigeria (CBN) remains committed to deepening financial inclusion in line with its objective to achieve the national financial inclusion target of 80% by 2020.

To complement recent growth in agent banking services under the Super Agent and SANEF initiative and in recognition of the increasing demand for no-frills mobile money services, the CBN hereby directs that Deposit Money Banks (DMBs) shall henceforth not require prior approval to offer mobile money wallet services.

DMBs are however expected to notify the CBN before the commencement of these services and are required to operate within the extant regulations on mobile money operations.

Please be guided accordingly.

Sam C. Okojere
Director
Payments System Management Department

Ahmad Abdullahi
Director
Banking Supervision Department

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT

CENTRAL BANK OF NIGERIA

Central Business District
P.M.B. 0187,
Garki, Abuja.
+234 (0) 946238346

PSM/DIR/GEN/CIR/02/003

May 14, 2019

To: ALL Deposit Money Banks, Other Financial Institutions and Payment Service Providers

REQUEST FOR INFORMATION ON THE PROPOSED PAYMENTS SYSTEM VISION 2030 INITIATIVE

The Central Bank of Nigeria is in the process of developing the Payment System Vision 2030 strategy document (*Release 3*); which will define the strategic agenda for the Nigerian Payments System for the next ten years.

In view of the above, you are kindly requested to review and respond to all or part of the questions and topics outlined in Sections 6, 7,8,9,10,11 and 12 of the 'Request for Information on PSV2030' (*copy attached*). To provide a submission, please respond by writing to the attention of the Director, Payments System Management Department, Central Bank of Nigeria, Abuja or email: TOLADIMEJI@cbn.gov.ng and UUAKAH@cbn.gov.ng on or before **7th June 2019**.

Kindly provide contact details that will be used for any follow-up, should the need arise.

Please accept the assurances of my highest regards.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Okojere', with the date '14/05/19' written below it.

Sam C. Okojere
Director, Payments System Management Department

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

1 Summary

Since 2006, CBN has published two strategy roadmaps, Payments System Vision (PSV2020), that have created a robust and well-utilised payments environment. The payments industry is currently experiencing radical change internationally and in many countries domestically. Innovation and competition are being driven by deployment and adoption of new technology solutions and encouragement for new entrants through new regulatory regimes.

The two previous releases of PSV2020 have largely achieved their objectives. Now is the time to create a new agenda for the payments system in Nigeria – Payments System Vision 2030 - one that defines a framework for the next ten years.

Given the current rapid pace of change, we are seeking the views of a wide range of industry stakeholders and experts. Our PSV2030 framework must recognise the swiftly evolving user requirements, technical solutions, regulatory environments and external threats that typify the industry.

The creation of PSV2030 comprises three main phases:

- **Phase 1 – Scope and Consult** – during this current phase, we have produced this scope document and are currently seeking input from current and potential stakeholders, both nationally and from other countries
- **Phase 2 - Design and Plan** – the information received from Phase 1 will be used to develop the Payments Framework that will recognise the approaches being adopted in other countries but will be appropriate for the local market in Nigeria.
- **Phase 3 – Deploy** – likely to be a sequential implementation over many years and is adaptable within the defined framework to respond to changes in technology and platforms. The framework should look to introduce a new architecture where appropriate and seek to retire legacy environments when no longer relevant.

The objective is to complete a consultative draft of PSV2030 in time for an International Payments Conference in early September 2019, followed by request for further comments. The final version of PSV2030 is planned for release by end 2019.

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

2 Scope of the Invitation to Submit Information

This document has been created to support Phase 1 of the PSV2030 Payments System strategic review and is intended to solicit views and insights from a wide group of stakeholders.

CBN is the regulator of all payment infrastructure in Nigeria, and so will be the ultimate decision maker and approval body for the strategy. But the strategy seeks to support the payments industry and end users, hence the collaborative approach to developing the strategy.

2.1 Responding to this Invitation to Submit Information

The document considers many dimensions of an efficient and effective payments system. You are invited to respond to all or part of the questions and topics outlined. The questions are intended to provide a framework for consistent responses. However, the questions are not prescriptive - you may add other comments related to the topic.

You can offer views on related topics that are not covered in the specific topics covered (see Section 12 - Any other considerations on page 28).

Please reference the sections from this document in your responses.

If you wish to provide a submission, please respond in writing by 24th May 2019, sending your response

In writing to Director, Payments System Management Department, Central Bank of Nigeria and/or email to TOLADIMEJI@cbn.gov.ng with copy to UAKAH@cbn.gov.ng

Please provide contact details that will be used for any follow-up should we require further discussion on any points raised in your submission

CBN reserves rights to use or exclude any content submitted in the final PSV2030 document and to use for any other reasonable purpose.

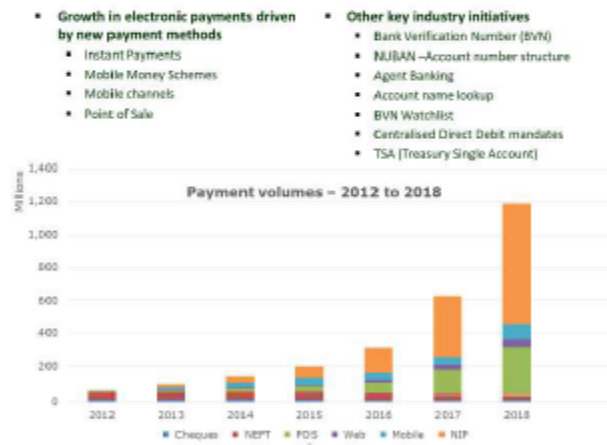
REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

3 Background

3.1 Progress to date

The first version of the Payments System Vision was launched in September 2006 with the overall objective of creating a payments environment that was 'Internationally Recognised, Nationally Utilised'. A second version was released in August 2013, to build on the significant accomplishments, and define new priorities for the Nigerian Payments Market.

Nationally utilised - The progress over the last decade has been impressive. New payment methods have been introduced and the vast majority of the impressive growth rate has been from these new payments. Significant new functionality such as a biometric-based Bank Verification Number (BVN) and a harmonised bank account structure (NUBAN) have improved the level of fraud detection and automation of payment processing.



Internationally recognised – the industry (CBN and participants) have made significant strides in creating a payments systems that is significantly more resilient and meets satisfactory levels of conformance to internationally accepted standards

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

- The Nigeria payments landscape has fundamentally changed in the last decade
- Our approach : A balance of the guiding hand of the Central Bank of Nigeria plus the energy and innovation of the industry participants

Process + Engagement = Progress



With 2020 rapidly approaching, our strategy must be reviewed to ensure it is relevant for the current and future market.

We have undertaken three separate assessments against the benchmark for a payments system, namely the Principles for Financial Market Infrastructure (PFMI) defined by the Bank for International Settlements (BIS). The assessments have shown a continued improvement in the overall resilience in the current market with significant improvements in the governance structure, clarity of rules and regulation and reduction in the level of risk.

The local market is now at the stage where we can reasonably state that we are ready to move to a new phase of the infrastructure.

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

4 Scope of the PSV2030 review

Our focus is on creating the appropriate environment for a relevant, innovative and resilient payments architecture. As such, the scope of this review covers not just the technical architecture, but also the regulatory regime, financial and operational risk, and ensuring compliance with payments system best-practice as defined by the Bank for International Settlements (BIS) Principles for Financial Market Infrastructure (PFMI).

4.1 Guiding Principles

The previous two versions of the Payment Vision 2020 were developed with clear guidelines to ensure the Nigeria Payments System will be nationally utilised and internationally recognised.

- Built to serve the end-user via the Payment Service Providers
- Facilitating nationally accepted payment methods
- Encouraging innovation and deployment by service providers
- Using common core infrastructure and enforcing interoperability
- Recognising local geographic, market and cultural practices
- Conforming to internationally accepted risk principles
- Within a clear and transparent legal and regulatory framework
- With Specific, Measurable, Attainable, Relevant and Time-bound goals

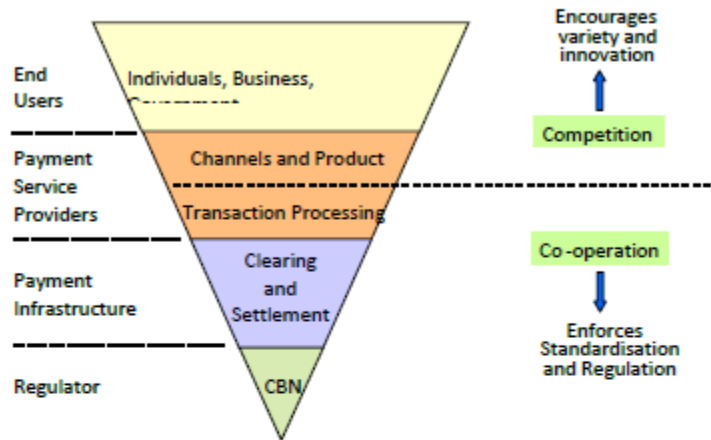
These guiding principles are equally valid for the PSV2030 Framework. Given the advances made in the domestic market, we are adding the following two guidelines for PSV2030, namely:

- Further leveraging the local technical and business skillset
- Seeking to create solutions that are transferable to other relevant markets

4.2 Common Core Infrastructure

The guideline on common core infrastructure and interoperability has been a consistent principle from the initial PSV2020 review. The following diagram represents our current position on co-operate versus compete.

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030



4.3 Global Trends

The payments industry has evolved over the past few decades from the early days of electronic payment. The pace of change has increased dramatically over the last few years, with the change driven by rapid advances in technology, customer expectations and new business models (including Fintech)

We can valuably learn from the global trends and new practices in payments deployed in other countries, but must make our strategy relevant for the Nigerian market, domestically and where Nigeria plays a role in international flows (regionally and globally)

Advances in technology and changing regulatory focus has created some fundamental shifts in the payments landscape in the last few years. The main trends and drivers are listed below, and covered more fully in Section 6 - Global Trends

- New payment methods
- Open Banking
- Digital Access
- Distributed Ledger Technology
- Big data and Artificial Intelligence
- Cyber-Security
- Digital Identity
- Machine Learning and Robotics Process Automation

4.4 Scope of the review - Phase 1

Phase 1 of the PSV2030 review is, by definition, broad. The intention is to seek the views of industry experts to ensure that our framework is comprehensive and imaginative. We do not want submissions from stakeholders to be constrained by the current systems and thought processes.

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

Subsequent phases will distil the ideas generated from Phase 1 into a framework that captures the good ideas and suggestions, but builds an implementation roadmap that is practical and achievable within the medium timeframe.

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

5 Proposed Approach to PSV2030

Given the pace of change of the technology, user expectation and business models, no one individual or entity has a monopoly of good ideas. Our proposed approach is to create three distinct phases for the PSV2030. Firstly, to collate the views and ideas of all potential stakeholders. Secondly, to define an overall framework for the new payments architecture. And finally, to embark on the deployment.

The initiative will be driven and sponsored by the Payments System Management Department (PSMD) of CBN, with industry oversight via the PICC. CBN oversight will be via Committee of Governors (CoG).

5.1 Phase 1 – Scope and Consult

For the first phase, we will engage with potential stakeholders by circulating a summary of the broad objective and guiding principles for the new payment architecture and seeking for submissions. The objectives and guiding principles will be very broad, covering not just the technical architecture, but also the operating parameters, regulatory framework and participation guidelines. Operational, financial and cyber-security resilience will be of paramount importance as the payments market becomes increasingly electronic and immediate.

5.2 Phase 2 – Design and Plan

The second phase will synthesise the contributions into a strawman payments architecture, but one that is more specific and definitive than the broad objectives from Phase 1. The proposed structure, covering all parameters outlined in the scope, will be widely circulated for further review and discussion with stakeholders. It is anticipated that the initial discussion document will be launched at the proposed International Payments Conference, planned for 3rd - 4th September 2019.

The final document, modified based on feedback following the initial version, will formalise the new payments architecture and deployment roadmap.

5.3 Phase 3 – Deployment

The final phase, deployment, will only become clear during Phase 2, but it is likely that any new architecture will be implemented gradually, and alongside any legacy infrastructure that has to be retired. If the framework has been well defined, deployment will continue to evolve as new capabilities and business model emerge – one of the guiding principles is that the framework must be future-proof.

5.4 Top level milestones for Phase 1 and 2

Given the consultative approach of this initiative, the project has defined two key points at which external input will be requested – firstly during Phase 1 following the publication of the broad objective and scope, and secondly after the release of the draft PSV2030.

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

The key milestones are provisionally defined as follows

| | | |
|-----------------------------|--|---------------|
| Phase 1 – Scope and Consult | Issue draft Invitation to Submit Information to PICC | 15 April 2019 |
| | Update to PICC at meeting | 25 April 2019 |
| | Finalise ISI based on PICC feedback and circulate | 02 May 2019 |
| | Create framework for PSV2030 document | 24 May 2019 |
| | Receive initial feedback from ISI submissions | 7 June 2019 |
| Phase 2 – Design and Plan | Produce initial draft PSV2030 for PICC review | 14 June 2019 |
| | Receive PICC feedback | 21 June 2019 |
| | Produce working draft for PICC review | 5 July 2019 |
| | Walkthrough at PICC meeting | 11 July 2019 |
| | Fine tune for initial release – for consultation | 9 August 2019 |
| | Launch at International Payments Conference | 3 Sept 2019 |
| | Release for sensitisation and further comments | 3 Sept 2019 |
| | Receive comments | 4 Oct 2019 |
| | Develop Roadmap and Timeline | 31 Oct 2019 |
| | Review final draft at PICC meeting | 14 Nov 2019 |
| Formal release of PSV2030 | 6 Dec 2019 | |
| Phase 3 - Deployment | To be determined | |

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

6 Global Trends

The first part of this analysis focusses on the implications of the global trends identified in Section 4.3 - Global Trends.

6.1 New Payment Methods

Instant payments has created a fundamental shift in adoption of electronic payments in many countries. Nigeria, as an early adopter of this payment method, has experienced strong growth in this area. Other emerging payments types, such as Request for Payment, are likely to see equally strong adoption. Mobile payment schemes and mobile phones as a channel to banking services both continue to gain traction, particularly in Sub-Sahara Africa. Any new architecture must be able to support new payment methods without a significant restructuring.

It is expected that physical cash will continue to decline, and in many countries the use of technologies such as contactless card payments, NFC (near field communication) on mobile devices and low-cost card acquiring solutions has made cash virtually redundant.

6.1.1 Questions to consider

- *What payment methods not currently supported in Nigeria should be included in the framework?*
- *What future payment methods could you envisage that would help drive a vibrant economy?*
- *Which sector will be the primary driver of new payment methods – retail, business or government flows?*
- *There is a drive to reduce the usage of cash transactions. Is a truly cashless society achievable and/or desirable within the timeframe of this strategy (2030)? What payment methods will be most relevant in displacing cash? What are some of social implications of discouraging the use of cash?*

6.2 Open Banking

Most countries with mature banking infrastructure are opening access to new entrants and challenger banks to encourage innovation and competition. In Europe, PSD/2 has created different levels of service provision, from pure payment initiation and balance reporting (but not account holding) through to full-service account and credit provision. Such structures must support new entrants whilst not undermining the resilience of banking and payment services.

6.2.1 Questions to consider

- *Is the current market ready to support a market for more open banking and payment service providers? If not, over what time period will this be appropriate (if ever)?*
- *Where are the greatest risks in creating an open banking environment?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

- *What regulatory changes would you recommend to support open banking? Do you see any models from other countries that would be most applicable for the local market in Nigeria?*
- *What steps would you recommend to simplify the adoption of open banking (for example, requirement for banks to support open APIs)?*

6.3 Digital Access

Accessing banking services through digital channels will become the norm for all payment solutions, be it through mobile devices for retail banking, or more sophisticated electronic channels for businesses. The pace of adoption varies by region, with solutions in sub-Saharan Africa requiring the use of older technologies such as USSD codes that are available alongside smart phone solutions that dominate in most G20 markets. In Nigeria, deployment of USSD mobile solutions has made access to electronic payments and other banking services more broadly available.

Digital exclusion is a growing challenge in all markets, recognising that lack of access to digital solution can inhibit social mobility, mitigated in part using agent services to facilitate access for sections of the community that lack the knowledge or devices to access digital services.

6.3.1 Questions to consider

- *What are the major current barriers that restrict digital access?*
- *What solutions could be deployed to minimise the lack of access to digital services (for example, making solutions simple to use, public awareness programs, the use of agent banking and other community services)?*
- *Should improved digital access be focussed on the current banked, the current under-banked, or the current unbanked community?*
- *Which would be most suitable for a solution that helps to increase digital inclusion?*

6.4 Distributed Ledger (DLT) for fiat currency

Blockchain has been a mainstream topic of discussion, and rarely has a technology attracted as much media attention and investment funding. A more generalised description of Blockchain is Distributed Ledger Technology (DLT) which capture the essence of the design – allowing verifiable records of ownership to be distributed rather than relying on a single central ledger.

Some countries and major banks are piloting schemes where digital currencies are tied to a fiat currency, which has the potential to streamline payment processing, introducing greater security and traceability, and providing a platform for innovative business processes using smart contracts.

Distributed Ledger is potentially a powerful disruptive technology and enabler of new solutions and business processes. However, its applicability as simply a direct replacement for the existing payment processes is not clear, given the potential processing cost and complexity. PSV2030 will develop an informed position on DLT as a solution for Naira payments.

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

6.4.1 Questions to consider

- *Should Nigeria implement a DLT-based payments infrastructure to support Naira flows? If so, what do you see as the primary benefits for such a solution?*
- *Over what timeframe will the technology become sufficiently mature to support a DLT-based Naira payments solution (if at all)?*
- *There are many different approaches for implementing a DLT payments network (Permissioned versus permissionless, private versus public) and approach for consensus management (such as proof-of-work versus proof-of-stake). Which approach would be most appropriate for a fiat currency?*
- *Do you have any technical concerns about such a deployment? Consider such aspects as capacity constraints, processing time and costs, security and control.*
- *Peer-to-peer transfer of value offers the potential for anonymity. Full anonymity is highly unlikely to be acceptable to any central bank given the need for KYC and AML. How do you propose that any implementation balances the need for operational efficiency and the need for control and visibility?*

6.5 Distributed Ledger (DLT) for Initial Coin Offerings

Initial Coin Offerings, such as Bitcoin, have dominated the implementation of DLT-based crypto-currencies. These have remained largely unregulated by national regulators, and most industry observers note that crypto-currencies have evolved to become an asset class rather than payment mechanism.

6.5.1 Questions to consider

- *Is there a role for ICOs in mainstream payments?*
- *If so, what would be the potential use cases and benefits of solutions based on crypto-currencies?*
- *Should crypto-currencies, and the exchanges that trade crypto-currencies, remain unregulated or loosely regulated?*

6.6 Distributed Ledger Technology and Smart Contracts

As with many exciting new opportunities, Distributed Ledger Technology has a mix of hype and reality. The hype of specific implementations such as Bitcoin should not detract from the potential of DLT to radically transform the current solutions for transferring ownership of assets, physical and virtual.

An area of great potential is that of smart contracts, where for example, the transfer of funds can be dependent on specific condition, for example the transfer of ownership of financial securities or completion of a commercial trade.

Linking settlement to transfer of ownership through Smart Contracts appears to offer tangible potential benefits. PSV2030 will explore potential solutions for Smart Contracts, and how the technology would be linked to the payment processing.

6.6.1 Questions to consider

- *Do you agree that Smart Contracts is a primary driver for supporting a DLT-based fiat currency?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

- *Is a DLT-based payment infrastructure required or desirable to support a true Smart Contract solution?*
- *Which applications for Smart Contracts do you foresee as offering the greatest potential benefit in the short/medium term (if any)?*
- *Should potential Smart Contract solutions be developed at a national co-operative level, or be left to commercial organisations to develop and deploy in a competitive environment?*
- *Should a solution focus on a national implementation, or support a cross-country deployment?*

6.7 Big Data

The ability to analyse massive datasets can provide deep insights, and the data contained in payment flows is information rich. Analysis of economic activity, fraud detection and anti-money laundering, speedy detection of operational issues and real-time risk management are some of the early applications being deployed.

The ability to analyse payment flows offers significant opportunities in many areas of economic analysis, operational controls, risk management and fraud prevention. PSV2030 will identify potential uses of the available dataset, which in turn may define specific data that would be valuable to collect as part of the payment flow.

An open question, and current challenge, is how to collate data for 'on-us' transactions. If a single bank maintains the debit and credit account for a payment, it is operationally simpler and cheaper to process as a book transfer across the accounts of that bank, rather than pass through the clearing system. However, this removes the visibility of these flows from the central data repository.

There could be great potential for creating economic and social value from the data being transferred through the payments system. However, due regard must be given to the resulting privacy and data protection implications of access to such a powerful dataset. With the potential introduction of NDPR (Nigeria Data Protection Regulation) and the amendments to the NITDA Act that are currently with the Assembly, data privacy will be under ever increasing scrutiny.

6.7.1 Questions to consider

- *Is capturing and analysing data for all payment flows achievable and desirable?*
- *What do you suggest as the primary and /or most valuable applications for Big Data based on the payment flows?*
- *Should all flows, including 'on-us' transactions, be required to flow through the common infrastructure to ensure that all data is captured for subsequent analysis? Are there specific flows that you would include/exclude from the data capture?*
- *What are your primary concerns about data privacy and data protection? What restrictions would you impose on any Big Data solutions?*
- *Do you believe potential data privacy regulations and/or laws will impact the ability to offer big data solutions on payment flows? Should the government/CBN be exempt from any stringent data collection and analysis?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

6.8 Cyber-Security

Cyber-security has been cited as one of the greatest economic and social risks, and most countries rate the threat of cyber-attacks from hostile nations and organised crime as high as physical attacks. Potential attacks are wide-ranging from those using technology tools to gain unauthorised access into systems, denial-of-service attacks, through to those based on social engineering that exploit human weaknesses.

Creating secure and robust infrastructure has become a critical requirement. The payments architecture must be built to the highest data security standards, covering not just the technical and telecommunications threats to the core infrastructure, but tools that identify and block potential attacks that originate outside the core infrastructure.

As processes and data become more real-time, the risks increase since there is less time to respond to potential breaches. But conversely, with Big Data and electronic flows, it may be possible to shift from fraud detection to fraud prediction.

6.8.1 Questions to consider

- *The need for appropriate cyber-security is a given. What are the cyber threats that you consider require greatest focus, and/or are most difficult to protect against?*
- *What do you believe are the most appropriate access control tools (something I know, something I have, something I am ...)? Should minimum standards, such as two-factor authentication, be mandated for all banks and service providers?*
- *Should a high standard for fraud detection be built into the core payments infrastructure, or should the responsibility be left to individual banks and payment processors?*
- *Do you believe fraud prediction is possible and/or desirable as a potential tool in reducing fraudulent transactions? If so, do you have any specific views on how this might be deployed within the payments architecture?*
- *The move in many countries is for consumers to be protected from the result of fraudulent activity with the banks and service providers covering the cost of such fraud (except in cases where the consumer is proven to be negligent). Where do you see the boundary of responsibility between service provider and end-user (consumer and business)?*

6.9 Digital Identify

Reliably identifying individuals, in the physical and virtual worlds, is a core component of data security. Nigeria has a world-class solution with BVN (Bank Verification Number) – a unique identifier required for any individual that has a bank account and verified by biometrics to ensure that any individual can only have one BVN.

BVN will continue to form the foundation of digital identify in any new payments architecture, but it may be possible to use different biometric approaches and/or additional elements to further improve resilience

- *Do you consider the current BVN solution to be appropriate for the future payments infrastructure?*
- *If not, how would you suggest improving digital identity?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

- *Could BVN validation be used more widely in the payments system, and if so, what applications would you see as valid uses of BVN?*
- *Are you aware of any solutions or concepts that would reduce the effectiveness of BVN biometrics as a unique identifier?*
- *Do you have any view on how BVN should be deployed alongside other national ID schemes such as that supported by NIMC?*
- *Legal Identity Identifiers (LEIs) are being globally deployed as a unique ID for business entities that undertake trading of financial instruments. Should the infrastructure recognise and/or adopt LEIs for domestic business flows?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

7 Operational Considerations

7.1 Common Core Platform

Clearly the new architecture must support all appropriate payment instruments, covering those currently in use (unless scheduled for retirement, and excluding physical cash) and new payment methods as and when required.

A key design criterion is to achieve an infrastructure that is not constrained by volume or value of payments. High-volume retail payments versus high-value financial flows clearly have a different profile and risk implications. Historically, separate infrastructure has been implemented to support these different flows. But with advances in processing power and telecommunications bandwidth, is this distinction still relevant?

PSV2030 will consider the pros and cons of creating a common core infrastructure for all payment flows regardless of volume and value. A single infrastructure offers clear benefits around collateral and risk management and consolidation of information and control but increases the risks of single point of failure.

The cards infrastructure requires specific decisions due to the inter-dependence on the international card schemes (MasterCard, Visa, UniPay ...) and the adoption of formats and processing rules specific to the card industry.

7.1.1 Questions to consider

- *Do you consider that one common platform is achievable and/or desirable?*
- *If a common platform is desirable, are certain payment methods precluded?*
- *Should retail payments (typically lower value and higher volume) and financial flows (typically high value and lower value) be processed on different platforms.*
- *What operational, risk and other aspects are important when considering the option of a single common platform?*

7.2 Differing levels of functionality

Should a common infrastructure for all payment flows be appropriate, consideration must be given to the potential need for different levels of functionality. Not all payment methods will require all available features. For example, advising the payer that the beneficiary account has been credited, or payment tracking, could be value-add features that are optional (and potentially chargeable). Any new architecture should allow end users (potentially through their service provider) to select such optional features, at a default choice or for specific payments as required.

7.2.1 Questions to consider

- *Do you agree with the proposed approach of optional features that are separately priced?*
- *Should 'value-add' feature/functionality be created in the common core infrastructure, or offered by the service providers as a point of competition? Where should the boundary between compete and co-operate be drawn?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

- *Do you have views and/or suggestions about how variable functionality should be offered (for example, pre-defined service offerings, features selectable at the point of payment initiation ...)*
- *How should the charges for optional features be collected (for example, deducted at the point of initiation, billed in arrears, ...)*

7.3 Operating hours

The new architecture should be available 24 x 7 for payment initiation and payment processing. The implication on the potential need for 'out-of-hours' funding of settlement positions and resulting impact on bank treasury and other bank operations must be considered. (

Note: in our recent review of Collateral Management, one sub-group conducted some excellent research on settlement positions and payment values/volumes at different times of day and different days of the week based on the current 24 x 7 availability of card, mobile and NIP payments. The conclusion was that, with some relatively minor revisions to the current settlement cycles, out-of-hours and weekend settlement was not currently required.

7.3.1 Questions to consider

- *Do you agree that the new architecture should be designed to support 24 x 7 processing? And should this include weekend payment processing?*
- *Do you agree that extended settlement windows and/or weekend settlement should be introduced if such changes provide significant benefit in reducing liquidity and credit risk for settlement?*
- *If extended settlement cycles are required, what will be the impact on stakeholders (payment processing, risk and fraud management, operations, funding and settlement, bank processing and client facing systems)*

7.4 Real-time position management

The current collateral management review highlighted the significant risk advantages of real-time position management, specifically for eliminating liquidity and credit risk for settlement positions (although it does introduce other operational issues around bank liquidity management and pre-funding that require careful consideration). Real-time position management should be a basic design requirement of the new architecture.

7.4.1 Questions to consider

- *Do you agree that real-time position management should be a basic design feature of any new payments infrastructure?*
- *The approach for handling real-time position management would be agreed during the design and specification of any new architecture. Do you have strong views or suggestions on how the position management should be implemented across the different payment methods, recognising that the approach may vary for high-value financial payments versus low-value retail payments?*
- *What are the primary drawbacks, if any, of real-time position management (for example, outgoing payments being blocked if a payment provider reaches a pre-funded limit, ...)?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

7.5 Payment Tracking

The banking industry should look to emulate functionality that exists in other industries. For example, when comparing traditional texting with applications such as WhatsApp, one key differentiator is that of message status – in WhatsApp the sender knows when the other party has received the message, the last time the receiver was online, and when the message has been read. A similar payment tracking could revolutionise the confidence in payment processing. Other features, such as location tracking, could support greater fraud protection.

7.5.1 Questions to consider

- *Do you agree that payment tracking should be a core feature designed into the new payments architecture?*
- *If so, should this feature be a standard offering, or a value-add offering?*
- *What are the significant status updates that should be reported and made available?*

7.6 Data standards

The new architecture should be built on the latest internationally accepted data standards, ISO20022 for payments and reporting, and ISO8583 for card transactions.

7.6.1 Questions to consider

- *Do you agree that ISO20022 should be the data standards to be used for any financial messaging?*
- *Should the architecture support other legacy standards in parallel (for example via a data mapping service)?*
- *Do you foresee any emerging data standards that should be supported in the medium term?*

7.7 Technology Platform

At this stage, no decisions are expected on specifics of the technology platform that will support any new payments architecture. However, it would be useful to receive feedback on some guiding principles for the technology platform and architecture.

7.7.1 Questions to consider

- *Do you suggest any specific guiding principles to the network and systems architecture (for example, distributed cloud-based solutions, use of multiple network providers)?*
- *Are there any specific approaches that you recommend we specifically exclude from any architecture design?*
- *Do you foresee any new technology (for service providers or end users) that may have a significant impact on any new payments architecture?*
- *Do you believe that our new platform has to assume that some current technology will **not** be widely available in the local market (for example, smartphones and access to internet-based services)? If so, what are potential implications for our design and deployment?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

7.8 APIs versus message-based solutions

Traditionally, the payment systems have been based on message-based and/or file-based communications between the service providers. Increasingly, the use of APIs is being encouraged to create more flexible and interactive sessions between service providers.

7.8.1 Questions to consider

- *Do you foresee a shift to interactive API-based sessions between service providers?*
- *Do you have insights or preferences on the approach to be adopted, and which feature should be API-based rather than message or file-based?*

7.9 Operational Control

The new architecture should support a real-time operational dashboard, which could include information such as status of participating institutions, security and fraud alerts, volumes and values of flows by payment instrument, current net settlement positions, usage of intra-day collateral and other pledged assets and transaction processing times.

Periodic management reports should also be available, including trend analysis.

7.9.1 Questions to consider

- *Do you agree that a real-time operational dashboard should be a basic design criterion for any new payments architecture?*
- *Should the dashboard be made available to all service providers/banks, or purely for the entity running the infrastructure (and regulator)?*
- *Are any critical categories of operational control metrics missing from the above list?*

7.10 Quality of Service

Assessments of service quality, at all levels of the payments system from core infrastructure through commercial solutions, has typically been either subjective and/or through periodic assessments. There have been some notable advances, such as the real-time tracking of payment volumes and values of certain payment methods through the NIBSS Industry Statistics portal (<https://nibss-plc.com.ng/report/>). The new framework provides an opportunity to embed quality of service indicators into the architecture – potentially both objective measures (such as transaction processing times, failure rates, service provider up-time) and subjective (based on user experience).

7.10.1 Questions to consider

- *Do you agree that quality of service metrics should be an integral part of any new payments system framework?*
- *Which areas of service quality are most important to track and report?*
- *Should the indicators be both objective (as outlined above) and subjective (which allows for users to assess their experience of the service quality)?*
- *Should the service provider information be widely available, or should the publicly available data be restricted to industry level data?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

7.11 Consumer Protection

Creating consumer confidence is of paramount importance, particularly when offering services to first-time users. The new architecture should aim to make payments 'error-free', but it is inevitable that issues will occur. The new framework must provide robust consumer protection – a wide ranging scope from consumer awareness, appropriate guidelines and regulations, provision of accurate data to support problem resolution, and operational process to handle initial enquiries through to potential escalation and arbitration.

7.11.1 Questions to consider

- *Do you believe that the current consumer protection structure and service is appropriate and works effectively?*
- *What are the primary current challenges in providing an effective consumer protection process?*
- *What recommendation would you have for improving the current consumer protection arrangement?*
- *The move in many countries is for consumers to be protected from the result of fraudulent activity with the banks and service providers covering the cost of such fraud (except in cases where the consumer is proven to be negligent). Where do you see the boundary of responsibility between service provider and end-user (consumer and business)?*

7.12 Disaster recovery and contingency

As with cyber-security, the need for rigorous disaster recovery capability is a given. However, it would be useful to receive feedback on some guiding principles for the approach to disaster recovery and contingency.

7.12.1 Questions to consider

- *Do you suggest any specific guiding principles to the disaster recovery architecture?*
- *Are there any specific approaches that you recommend we specifically exclude from any disaster recovery design?*

7.13 Domestic and International flows

The focus for the PSV2030 review is domestic flows, since these are under the direct regulatory oversight of CBN. However, the strategy must consider how any new architecture could integrate with potential regional payment schemes, and more broadly how to link to international payments, either directly or via the traditional correspondent banking model.

7.13.1 Questions to consider

- *Are there any specific initiatives for international or regional payments that we should consider as essential to include in the scope our proposed architecture (for example, inter-operability with regional payment systems, ...)*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

8 Operating Parameters

The first phase of developing the PSV2030 is, by design, broad in scope with no pre-determined solutions. However, certain operating parameters are given to provide direction to the respondents

8.1 Support Financial Inclusion

The two previous versions of the PSV2020 strategy have been very effective at improving the resilience of the payments infrastructure and increasing the level of banking solutions. Some of these, such as mobile payments and the Agriculture initiative, are extending the availability of core banking services to the under-banked and unbanked. PSV2030 must accelerate the availability of basic banking and financial services to the unbanked. Ideas are sought on how to achieve this acceleration, be it through innovative new solutions, regulation or centrally funded initiative.

Financial inclusion remains a key priority to achieve a payments environment that is truly 'nationally utilised'.

8.1.1 Questions to consider

- *Do you agree that financial inclusion should be a key objective of PSV2030?*
- *What are the major design criteria that we should consider in supporting financial inclusion?*
- *Do you agree that Agent Banking is one of the key drivers for improving financial inclusion? If so, how should the new architecture better support the agent banking model?*

8.2 Inter-operable

One of the key guiding principles of the current payments infrastructure is that of inter-operability. Namely that it must be possible to initiate a payment instruction with one financial institution (FI) and/or payment service provider (PSP), and move funds to any other FI or PSP in the same scheme. This principle has created a broader level of acceptability of new payment methods such as mobile payment and Instant Payments, and is enabled through a common switch, to which all other switches must connect.

Inter-operability will continue to be a key guiding principle for any future architecture.

8.2.1 Questions to consider

- *Do you agree that inter-operability should continue to be a key principle of the new architecture?*
- *If not, what is your rationale?*
- *Which areas of payment processing should be offered co-operatively or considered as a commodity process?*
- *Are there any functions that should always be in the competitive domain?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

8.3 Co-operation versus competition

Developing core infrastructure as a common utility for all participants has the benefits of cost-sharing and uniformity. However, the architecture must carefully consider the boundary between cooperation on infrastructure and competition between participants to allow differentiated feature/functionality and encourage innovation.

8.3.1 Questions to consider

- *On a scale of 1 to 5 (with 1 being the minimum level of common co-operative infrastructure and 5 being maximum level), where would you rate the boundary between co-operate and compete?*
- *What is the rationale for your assessment?*

8.4 Future-proof and Incremental Deployment

Payments technology will continue to evolve, and it is important that the architecture is able to evolve rather than require radical re-engineering to support new capabilities. For example, if a new data security technique is developed, it should be possible to cut over to this new solution without disrupting the current payment flows.

8.4.1 Questions to consider

- *Do you agree that 'future-proofing' the solution is an important design criterion?*
- *Do you have any specific guidelines and/or principles on how future-proofing should be incorporated?*
- *Do you agree that the new architecture should seek to retire legacy infrastructure?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

9 Practices in other countries

The payments industry is in a period of rapid change. We wish to learn from other countries, but not blindly copy since any new architecture must be relevant for the local market in Nigeria (and Nigeria's role in the West Africa region). Countries to be reviewed include:

- those that have implemented a fundamentally new architecture (such as Australia China and Japan),
- those that have published payment strategy documents or have set a clear strategic direction (such as the UK, Sweden, Kenya, Estonia and Singapore),
- those that have similar demographics and new solutions (such as India and South Africa),
- other key industry bodies such as the World Bank, IMF, BIS, and SWIFT.

9.1.1 Questions to consider

- *Do you recommend other countries that we should include in our analysis?*
- *Are there any white papers or other reference material that you have found particularly insightful when reviewing the payments landscape?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

10 Regulatory and Governance Structure

Creating an appropriate and effective governance structure was a key deliverable from the second release of PSV2020. It is possible that, given the proposed architecture from the PSV2030 review, this structure should be modified. The PSV2030 document will include any recommendations for the regulatory and governance structures and scope.

10.1 Build in PFMI Conformance

The PFMI will continue to form the basis of validating that the payments system is 'Internationally Recognised'. The PSV2030 document should highlight areas where deployment of any new architecture results in closer conformance to these principles.

10.1.1 Questions to consider

- *Would you recommend building in conformance to any other standards? If so, which one(s)?*

10.2 Legal Framework

The Payments System Management Bill is currently passing through the legislative process. The PSV2030 document should highlight any areas of potential change to this legal framework that may be required.

10.2.1 Questions to consider

- *Do you believe that the proposed Payments System Management Bill will be suitable for any likely new payments architecture?*
- *Are there specific technical and/or functional changes that may require new provisions?*

10.3 Regulatory and Governance Structure

CBN provides regulatory oversight of all payment solutions.

Governance is provided by four Scheme Boards (ACH cheque & IP, Mobile, Cards, RTGS) reporting to the PICC. The bodies comprise of industry representatives and CBN. PICC reports to the CBN CoG (Committee of Governors). Under the Payments System Management Bill, the reporting lines will change but the working level structure will remain largely consistent with the structure today.

10.3.1 Questions to consider

- *Do you believe that the current (and potential new structure under PSMB) is appropriate for any likely new payments architecture?*
- *Do you have any suggestions, fine-tuning or radical overhaul, that would create a more effective governance structure?*

10.4 Compliance monitoring

Tools to monitor compliance to the participation criteria should be built into the new architecture, this providing real-time compliance monitoring and period status reports

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

rather than relying on inspection of prior performance. Examples of compliance checking could be adherence to rule on liquidity and collateral, operational performance standards, resilience and disaster recovery testing.

10.4.1 Questions to consider

- *Do you agree that compliance monitoring should, where possible, be included in the design of any new payments architecture?*
- *Are there any areas of compliance (in the payments space) that should be excluded from the design criteria?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

11 Dependencies

It is expected that the report will identify many dependencies, not least on the availability of telecommunications and power. Key dependencies will be identified, and stakeholders from other industries will be invited to submit comments

11.1 Infrastructure

An electronic payments system is dependent on efficient infrastructure, with a particular emphasis on telecommunications and power. Any specific concerns in this area must be highlighted.

11.1.1 Questions to consider

- *Do you have concerns about the infrastructure required to support an efficient payments system?*
- *If so, which parts of the infrastructure are likely to be the greatest inhibitors to deployment and adoption?*

11.2 Capacity Planning

Training and public awareness may be required to support deployment of any new payments system architecture. Capacity Planning is required at different levels (industry expertise, technical skills, internal service provider training for operational support and customer servicing, compliance and risk training, and end user awareness).

There is currently no formal certification programs for the core skills – technical and operational – that are required within the payments system.

11.2.1 Questions to consider

- *Do you believe that preparing Capacity Planning should be within the scope of the PSV2030 Implementation, or for the industry to handle on an 'as-required' basis?*
- *Which areas of capacity planning require greatest focus?*
- *Should the industry look to provide certification programs for certain roles? If so, which areas should be subject to certification, and should certain roles have mandatory certification?*

REQUEST FOR INFORMATION ON PAYMENTS SYSTEM VISION 2030

12 Any other considerations

We have attempted to create a comprehensive framework for seeking view and suggestions. However, it is highly likely that there are dimensions that are not included above

12.1.1 Questions to consider

- *Are there any other useful input or suggestions that you would add for inclusion in our further deliberations?*

PART L

**TRADE AND EXCHANGE DEPARTMENT
CIRCULARS, POLICIES AND GUIDELINES**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09-462 37830
09-462 37802
Email: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/010

November 29, 2021

TO: ALL AUTHORIZED DEALERS
NIGERIA CUSTOMS SERVICES (NCS)
SHIPPING LINES & AIRLINES
NATIONAL MUSEUM & MONUMENTS
THE GENERAL PUBLIC

AUTOMATION OF FORM 'NCX' ON THE TRADE MONITORING SYSTEM

This is to inform all Authorized Dealers, Nigerian Customs Service (NCS), Shipping Lines & Airlines, National Museum & Monuments and the General Public of the deployment of e-Form 'NCX'.

Accordingly, the e-Form 'NCX' shall replace the hard copy of Form 'NCX' for non-commercial exports, with effect from November 30, 2021.

Consequently, all Authorized Dealers are required to ensure as follows:

1. That the processing of Form 'NCX' shall only be done electronically on the Trade Monitoring System accessible at www.tradesystem.gov.ng;
2. Authorized Dealer Banks are to ensure that their customers obtain a valid Tax Identification Number (TIN) from Federal Inland Revenue Service (FIRS)/Joint Tax Board (JTB). The TIN is a prerequisite for customers to access the Trade System for e-Form 'NCX' application;
3. The e-Form 'NCX' is web based and allows non-commercial exporters to initiate the Form from their offices/homes and submit same to the Authorized Dealer Bank;

4. A charge of **=N=5,000.00 (Five Thousand Naira)** as fee per declaration of e-Form 'NCX' is applicable with effect from November 30, 2021 and henceforth. There will be a direct debit of the processing bank's current account for each declaration which should be recovered from the customer by the bank. However, the charge on the customer for the e-Form 'NCX' should be separated from other bank charges;
5. All hard copies of Forms 'NCX' established on or before November 30, 2021 (prior to the commencement of the e-Form 'NCX') shall be utilized within 90 days of the establishment of the Form;
6. For avoidance of doubt, all established hard copies of Forms 'NCX' for which shipment has not taken place within the transition period of 90 days shall be deemed cancelled;
7. All Authorized Dealer Banks are enjoined to inform their customers of this development for compliance.

Please ensure strict compliance.



Dr. O.S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09-462 37830

09-462 37802

Email: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/011

November 29, 2021

TO: ALL AUTHORIZED DEALERS
THE GENERAL PUBLIC

AUTOMATION OF FORM 'A' ON THE TRADE MONITORING SYSTEM

This is to inform all Authorized Dealers and the General Public of the deployment of e-Form 'A'.

Accordingly, the e-Form 'A' shall replace the hard copy of Form 'A' for invisible transactions (PTA/BTA, medicals, education, other remittances etc.), with effect from November 30, 2021.

Consequently, all Authorized Dealers are required to ensure as follows:

1. That the processing of Form 'A' shall only be done electronically on the Trade Monitoring System accessible at www.tradesystem.gov.ng;
2. The General Public is required to obtain a valid Bank Verification Number (BVN) from their Authorized Dealer Banks. The BVN is a prerequisite for customers to access the Trade System for e-Form 'A' application;
3. The e-Form 'A' is web based and allows the General Public to initiate the Form from their offices/homes and submit same to the Authorized Dealer Bank;
4. A charge of **=N=5,000.00 (Five Thousand Naira)** as fee per declaration of e-Form 'A' is applicable with effect from November 30, 2021 and henceforth. There will be a direct debit of the processing bank's current account for each declaration which should be recovered

from the customer by the bank. However, the charge on the customer for the e-Form 'A' should be separated from other bank charges;

5. All hard copies of Forms 'A' established on or before November 30, 2021 (prior to the commencement of the e-Form 'A') shall be utilized within 15 working days of the establishment of the Form;
6. For avoidance of doubt, all established hard copies of Forms 'A' for which disbursement had not been made within the transition period of 15 working days shall be deemed cancelled;
7. All Authorized Dealer Banks are enjoined to inform their customers of this development for compliance.

Please ensure strict compliance.



Dr. O.S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237800
09 46237804
E-mail address: ted@cenbank.org

TED/FEM/PUB/FPC/001/009

November 12, 2021

**TO: ALL AUTHORIZED DEALERS,
SERVICE PROVIDERS AND THE
GENERAL PUBLIC**

**APPOINTMENT OF DESIGNATED BANK FOR THE COLLECTION OF FEES UNDER
THE NIGERIAN EXPORT SUPERVISION SCHEME (NESS)**

This is to notify all Authorized Dealers, Service Providers and the General Public that the Honourable Minister of Finance, Budget and National Planning has approved the appointment of the under listed additional designated banks for the collection of NESS Fees.

The Banks are:

1. JAIZ Bank Plc
2. GLOBUS Bank Plc
3. FSDH Merchant Bank Limited
4. TAJ Bank Plc, and
5. NOVA Merchant Bank Limited

Authorized Dealers are, therefore enjoined to bring the information to the attention of their exporting customers.

Thank you.

Yours faithfully,

**DR O.S NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT**

This document is for CBN internal consumption



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237831
09 46237809
E-mail address: ted@cbn.gov.ng

TED/FEM/PUB/FPC/01/007

October 11, 2021

TO: ALL AUTHORIZED DEALERS

GUIDELINES ON THE OPERATIONS OF PAN AFRICAN PAYMENTS AND SETTLEMENT SYSTEM (PAPSS) IN NIGERIA

This is to inform all Authorised Dealers and the General Public of the introduction of the Pan African Payments and Settlement System (PAPSS) by Afreximbank in partnership with West African Monetary Institute (WAMI). The platform is being deployed as a pilot within the West African Monetary Zone (WAMZ) Region before extending it to other regions within Africa.

The system supports the initiation of cross border retail payments in local currency of the sending country and receipt of funds in local currency of the beneficiary's country within West Africa while the inter-bank settlement will be in USD and is expected to provide faster settlement and payment of cross border transactions within Africa at a reduced cost, with the air of boosting intra-African trades.

The PAPSS has amongst others the following features:

- i. It supports the initiation of cross border retail payments in local currency of the sending country, by customers and receipt of funds in local currency of the beneficiary's country
- ii. The inter-bank settlement will be in USD, based on a multilateral netting arrangement. Other currencies such as Euro and proposed single currencies for WAMI and AU would be added in future.
- iii. The net settlement model is based on prefunding by participating financial institutions through the domestic RTGS System
- iv. Afreximbank will be the settlement agent and each central bank will maintain a USD settlement account at Afreximbank to settle eligible transactions from its country on a net basis.
- v. Each central bank shall determine eligible transactions for which foreign exchange would be provided by them.
- vi. Commercial banks may maintain a USD settlement account at Afreximbank to settle obligations for payments that may fall outside the eligible transactions, for which the central bank would not provide foreign exchange.

Consequently, all Authorised Dealers are required to ensure as follows:

1. That eligible payment of imports and receipt of export proceeds by the CBN shall be restricted to **trade-backed** transactions only and that the documentation requirements stipulated in Memorandum 9 and 10 of the Foreign Exchange

Manual (2018) and other extant circulars shall apply. **Import payments shall also be restricted to goods of African origin.**

2. That all the required documentations referred to in (1) above should be provided before a transaction is initiated on PAPSS by Authorised Dealers and their customers;
3. That export proceeds repatriated to CBN under PAPSS shall be subject to certification by respective processing banks as being repatriated by the Exporter.
4. The provisions of all existing guidelines, circulars and directives on the operations of Foreign Exchange Market shall apply.
5. That prevailing exchange rate at Investors and Exporters Forex Window as advised by Financial Markets Department (FMD) should be used in cross-rates conversion between Naira, United States Dollars and third currencies within Africa, for outbound payments and vice-versa for inflows.
6. For settlement of PAPSS transactions by CBN, Authorised Dealers shall obtain the approval of CBN for USD cover, before initiating payments on PAPSS. The request for approval should be forwarded to The Director, Financial Markets Department, CBN.
7. For the avoidance of doubt, only eligible transactions as may be determined by the CBN from time to time shall be eligible for payment on PAPSS. Items classified "not valid for Foreign Exchange" shall remain ineligible.

Please note that Authorised Dealer Banks may maintain a USD settlement account with the PAPSS settlement bank to settle obligations for payments that may fall outside the eligible transactions.

Please ensure compliance.



**DR O.S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237831
09 46237809
E-mail address: ted@cbn.gov.ng

TED/FEM/PUB/FPC/01/007

September 10, 2021

LETTER TO ALL BANKS

**OBSERVANCE OF DUE DILIGENCE IN THE PROCESSING OF
FOREIGN EXCHANGE TRANSACTIONS**

In line with our continuing close surveillance of our financial markets in general and the FX market in particular, the CBN wishes to remind all banks that it is their responsibility to not only Know their Customers (KYC requirements) but also Know their customers' business (KYCB requirements).

Given these responsibilities and in view of recent occurrences in the market, the CBN would like to remind banks to desist from all and any forms of FX malpractices.

We wish to reiterate that the FX operating license of any bank or banks that are found culpable with ongoing investigations would be suspended for at least one year.

Please note and ensure compliance.


DR O.S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237804
09 46237802
E-mail address: ted@cbn.gov.ng

TED/FEM/PUB/FPC/01/006

July 16, 2021

**TO: ALL AUTHORISED DEALERS/
GENERAL PUBLIC**

SUGAR IMPORTATION IN NIGERIA

The Federal Government of Nigeria under the National Sugar Development Council established the Nigerian Sugar Master Plan to encourage and incentivize sugar refining companies in their Backward Integration Program (BIP) for local sugar production.

Accordingly, the underlisted three companies, who have made reasonable progress in achieving backward integration in the sector shall **only** be allowed to import sugar into the country:

1. Bua Sugar Refinery Limited
2. Dangote Sugar Refinery Plc
3. Golden Sugar Company

In view of the forgoing, Authorised Dealers shall **NOT** open Forms M or access foreign exchange in the Nigerian foreign exchange market for any company including the three listed above for the importation of sugar without the prior and express approval of the Central Bank of Nigeria as the Bank is charged with the mandate of monitoring the implementation of the backward integration programs of all the companies

Please ensure strict compliance.

**DR. O.S NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237831

09 46237802

E-mail address: ted@cbn.gov.ng

TED/FEM/PUB/FPC/001/005

June 09, 2021

**TO: ALL AUTHORIZED DEALERS,
SERVICE PROVIDERS AND THE
GENERAL PUBLIC**

**RE: APPOINTMENT OF TITAN TRUST BANK PLC AS A DESIGNATED BANK
FOR THE COLLECTION OF FEES UNDER THE NIGERIA EXPORT
SUPERVISION SCHEME (NESS)**

This is to notify all Authorized Dealers, Service Providers and the General Public that the Honourable Minister of Finance, Budget and National Planning has approved the appointment of **Titan Trust Bank** as one of the designated banks for the collection of NESS Levy.

Authorized Dealers are therefore, enjoined to bring the information to the attention of their exporting customers.

A handwritten signature in blue ink, appearing to read 'OSN'.

**Dr. O. S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT**





CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237831
09 46237809
e-mail address: ted@cbn.gov.ng

TED/FEM/PUB/FPC/01/004

05 May 2021

**TO: ALL DEPOSIT MONEY BANKS,
INTERNATIONAL MONEY TRANSFER OPERATORS (IMTOs)
AND GENERAL PUBLIC**

**RE: INTRODUCTION OF THE CBN'S "NAIRA 4 DOLLAR SCHEME"
FOR DIASPORA REMITTANCES**

Further to the CBN Circular referenced TED/FEM/PUB/FPC/01/003 dated 05 March 2021 on the above subject matter, which was originally scheduled to end on 08 May 2021, we hereby announce the continuation of the scheme until further notice.

All aspects of the operationalization of the programme remain the same.

Please take note and ensure compliance.

A handwritten signature in black ink, appearing to read 'A.S. Jerin'.

**A.S. JERIN
For: DIRECTOR**

TRADE & EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237831
09 46237809
E-mail address: ted@cbn.gov.ng

TED/FEM/PUB/FPC/01/003

05 March 2021

**TO: ALL DEPOSIT MONEY BANKS,
INTERNATIONAL MONEY TRANSFER OPERATORS (IMTOs)
AND THE GENERAL PUBLIC**

**INTRODUCTION OF THE CBN'S "NAIRA 4 DOLLAR SCHEME" FOR
DIASPORA REMITTANCES**

In an effort to sustain the encouraging increase in inflows of diaspora remittances into the country, the Central Bank of Nigeria (CBN) hereby announces the introduction of the "CBN Naira 4 Dollar Scheme", an incentive for senders and recipients of International Money Transfers.

Accordingly, all recipients of diaspora remittances through CBN licensed IMTOs shall henceforth be paid N5 for every USD1 received as remittance inflow.

In light of this, the CBN shall, through commercial banks, pay to remittance recipients the incentive of N5 for every USD1 remitted by sender and collected by designated beneficiary. This incentive is to be paid to recipients whether they choose to collect the USD as cash across the counter in a bank or transfer same into their domiciliary account. In effect, a typical recipient of diaspora remittances will, at the point of collection, receive not only the USD sent from abroad but also the additional N5 per USD received.

Please note having discussed with banks and IMTOs, the scheme takes effect from Monday 8 March 2021 and ends on Saturday 08 May 2021.

A.S. JIBRIN
For: DIRECTOR

TRADE & EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237804

09 46237802

E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/PUB/01/002

January 26, 2021

**TO: ALL AUTHORISED DEALERS,
NIGERIA CUSTOMS SERVICE
NIGERIAN EXPORT PROMOTION COUNCIL
NIGERIA PORTS AUTHORITY
AND THE GENERAL PUBLIC**

APPOINTMENT OF PRE-SHIPMENT INSPECTION AGENTS (PIAs) AND MONITORING & EVALUATION AGENTS (MEAs) FOR NON-OIL EXPORTS

This is to inform all Authorized Dealers, operators in the non-oil exports sector and the general public, that the Federal Government has, **effective from January 15, 2021**, made the following appointment with respect to Pre-shipment Inspection operations in Non-oil Exports.

| SN | PRE-SHIPMENT INSPECTION AGENT | COVERAGE AREA |
|----|---------------------------------------|------------------------------|
| 1 | Anglia International Services Limited | North West and North Central |
| 2 | Neroli Technologies Limited | South West and South-South |
| 3 | Gojopal Nigeria Limited | South East and North East |

In addition, the Federal Government has appointed Monitoring Agents to oversee the activities of the PIAs in the zones as shown below:

| SN | MONITORING & EVALUATION AGENT | COVERAGE AREA |
|----|---------------------------------------|--|
| 1 | Foops Integrated Services Limited | North East, North West & North Central |
| 2 | Ace Global Depository Nigeria Limited | South East, South West & South-South |

All Authorised Dealers, operators in the non-oil export sector and members of general public are to note and ensure compliance.

**Dr. O. S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**

Classified as Confidential



09-61637804

09-61637802

E-mail address: ted@cbn.gov.ng

TRADE AND EXCHANGE DEPARTMENT

CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TED/FEM/FPG/PUB/001/001

January 22, 2021

**To: ALL AUTHORISED DEALERS AND
INTERNATIONAL MONEY TRANSFER OPERATORS (IMTOs)**

MODALITIES FOR PAYOUT OF DIASPORA REMITTANCES

Further to our circular titled "Receipt of Diaspora Remittances: Additional Operational Guidelines", it has come to our notice that some IMTOs and unlicensed companies continue to facilitate diaspora remittances into the country in Naira, in clear contravention of the Central Bank of Nigeria directive that all remittances be paid to beneficiaries in dollars.

For the avoidance of doubt, the Central Bank of Nigeria further clarifies as follows:

1. Only licensed IMTOs are permitted to carry on the business of facilitating diaspora remittances into Nigeria;
2. All diaspora remittances must be received by beneficiaries in foreign currency only (cash and/or transfers to domiciliary accounts of recipients);
3. IMTOs are NOT permitted, under any circumstances, to disburse diaspora remittances in Naira (either in cash or by electronic transfers), be it through naira remittance settlement accounts (which had been earlier directed to be closed), third party accounts or via any other payment platforms within and/or around the Nigerian financial system.

These measures are intended to promote transparency, grow diaspora remittances and significantly improve foreign exchange inflows into Nigeria. Strict sanctions, including withdrawal of operating licenses, shall be imposed on any individuals and/or institutions found to be aiding, abetting or directly contravening these guidelines.

For unlicensed operators, the CBN shall not hesitate to authorize the closure of their accounts in Nigerian banks, including being barred from accessing banking services in Nigeria.

The CBN shall continue to monitor developments in this regard and will issue further guidance as appropriate.

**DR.O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237831
09 46237809
E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/012

December 02, 2020

**TO: ALL AUTHORIZED DEALERS/
THE GENERAL PUBLIC**

**RE: AMENDMENT TO PROCEDURES FOR RECEIPT OF DIASPORA
REMITTANCES**

Further to the Circular Ref. No. TED/FEM/FPC/GEN/01/011 of November 30, 2020, on the above subject, we wish to reiterate and clarify to All International Money Transfer Operators (IMTO) the following;

1. IMTO's must ensure that all funds in favour of beneficiaries/recipients in Nigeria be deposited into the Agent Banks' correspondent account.
2. Agent Banks (Deposit Money Banks) in Nigeria will be responsible for final payment to beneficiaries/recipients either in foreign currency cash (USD) or into the beneficiaries'/recipients' domiciliary account in Nigeria.
3. The mode of payment either in cash or transfer is at the sole discretion of the beneficiaries/recipients.

Please ensure strict compliance and be guided accordingly.


DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

09 46237802
09 46237804

TRADE AND EXCHANGE DEPARTMENT

E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/010

November 30, 2020

**TO: ALL AUTHORIZED DEALERS and
GENERAL PUBLIC**

OPERATIONS OF DOMICILIARY ACCOUNTS

Following different interpretations on the operationalization of Domiciliary Accounts and to ensure the stability of the foreign exchange market, The Central Bank of Nigeria (CBN) would like to provide the following clarifications.

Export Proceeds Domiciliary Accounts

These accounts will continue to be operated based on existing regulations which allow account holders use of their funds for business operations only, with any extra funds sold in the Investors' & Exporters' (I&E) Window.

Ordinary Domiciliary Accounts

- Where accounts are funded by electronic/wire transfer, account holders will be allowed unfettered and unrestricted use of these funds for eligible transactions.
- Where accounts are funded by cash lodgments, existing regulation will continue to apply.

These clarifications are necessary given the vastly improved capabilities of the Central Bank of Nigeria to monitor transactions, forestall money laundering and prevent the adverse effect of Dollarization in our economy.

All Authorized Dealers and the General Public are to note that BVN would be used to enforce compliance with these regulations.

Please be guided accordingly.

**DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237802
09 46237804

E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/011

November 30, 2020

**TO: ALL AUTHORIZED DEALERS and
GENERAL PUBLIC**

**AMENDMENT TO PROCEDURES FOR RECEIPT OF
DIASPORA REMITTANCES**

In an effort to liberalize, simplify and improve the receipt and administration of diaspora remittances into Nigeria, the Central Bank of Nigeria (CBN) wishes to announce as follows:

- Beneficiaries of Diaspora Remittances through International Money Transfer Operators (IMTOs) shall henceforth receive such inflows in foreign currency (US Dollars) through the designated bank of their choice.
- Such recipients of remittances may have the option of receiving these funds in foreign currency cash (US Dollars) or into their ordinary domiciliary account.

These changes are necessary to deepen the foreign exchange market, provide more liquidity and create more transparency in the administration of Diaspora Remittances into Nigeria.

In addition, these changes would help finance a future stream of investment opportunities for Nigerians in the Diaspora, while also guaranteeing that recipients of remittances would receive a market-reflective exchange rate for their inflows.

All Authorized Dealers and the general public should note that beneficiaries shall have unfettered access and utilization to such foreign currency proceeds, either in cash and/or in their Domiciliary Accounts, in line with our circular **TED/FEM/FPC/GEN/01/010**

Please ensure strict compliance and be guided accordingly.

A handwritten signature in black ink, appearing to read 'O.S. Nnaji', with a long horizontal line extending to the right.

**DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237831
09 46237809
E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/009

November 18, 2020

**TO: ALL AUTHORIZED DEALERS/
THE GENERAL PUBLIC**

**RE: DESTINATION PAYMENT FOR ALL FORMS M, LETTERS OF CREDIT
AND OTHER FORMS OF PAYMENT**

Further to the Circular Ref. No. TED/FEM/FPC/GEN/01/005 of August 24, 2020, on the above subject and following different interpretations of the term "Ultimate Supplier of products", Authorized Dealers and the General public are hereby notified of the following clarifications;

- a. That the provision of "Ultimate Supplier of products" shall be construed to mean "the direct party selling the goods to the importer irrespective of whether the party involved is the manufacturer or internationally recognized buying company/supplier/agent".
- b. That the name of the "Ultimate Supplier of products" should be the same as the beneficiary on the Form "M", Invoice, Bill of Exchange, Letter of Credit Instrument and any other relevant document to the transaction.
- c. That Authorised Dealers should ensure that payments are made only to the beneficiary whose name appears on the documents stated in (b) above.
- d. That where it is unavoidable that an importer chooses to use a buying company (other than the primary manufacturer), the importer shall

make available the following documents (as applicable), for consideration and approval by the CBN before opening Form M.

- i. Detailed KYC and profile of the buying company;
- ii. Three-Year Audited Financial Statement of the buying company;
- iii. Letter of reference from the Buying Company's banker stating relationship and capacity;
- iv. Transfer pricing policy & arrangements in the home country.
- v. Registration with its home country's Chamber of Commerce
- vi. Evidence of tax payments in the home country
- vii. Evidence of authorization to act as agents and/or distributor to the original equipment manufacturer

All Authorized dealers are to ensure that the list of eligible third parties that meet the requirements above are submitted to the Bank for authentication before onboarding.

Please note and ensure strict compliance.



Dr. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237831
09 46237802
E-mail address: ted@cenbank.org

TED/FEM/FPC/GEN/01/030

November 12, 2020

**TO: ALL AUTHORIZED DEALERS
SERVICE PROVIDERS AND THE
GENERAL PUBLIC**

Dear Sir,

**RE: APPOINTMENT OF WEMA BANK PLC AS A DESIGNATED BANK
FOR THE COLLECTION OF NESS FEES UNDER THE NIGERIAN EXPORT
SUPERVISION SCHEME (NESS)**

This is to notify all Authorized Dealers, Service Providers and the General Public that the Honourable Minister of Finance, Budget and National Planning has approved the appointment of **Wema Bank** as one of the designated bank for the collection of NESS Fees.

Authorized Dealers are therefore enjoined to bring the information to the attention of their exporting customers.

Thank you.

A handwritten signature in black ink, appearing to read 'SON'.

**DR. O.S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237802
09 46237804

E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/001/008

October 06, 2020

**TO: ALL AUTHORIZED DEALERS
NIGERIA CUSTOMS SERVICE (NCS)
NIGERIAN SHIPPERS' COUNCIL
NIGERIAN CIVIL AVIATION AUTHORITY (NCAA)
FEDERAL AIRPORTS AUTHORITY OF NIGERIA (FAAN)
SHIPPING COMPANIES & AIRLINES COMPANIES
AND THE GENERAL PUBLIC**

COMPLIANCE WITH EXPORTS PROCEDURE IN NIGERIA

The Central Bank of Nigeria has observed with dismay the non-compliance by Shipping and Airline companies to the provisions of the Circular referenced TED/FEM/FPC/GEN/01/009 dated June 06, 2017, requiring that Bills of Lading/Airway Bill in respect of exports from Nigeria carry the Form NXP number in respect of the underlying cargos.

Furthermore, the Circular referenced TED/FEM/FPC/GEN/01/003 dated October 28, 2019 which mandated electronic processing of Form NXP on the Trade Monitoring System (TRMS) and accessible at www.tradesystem.gov.ng has not been complied with.

In line with the provisions of these circulars, Shipping and Airline companies are required to access the TRMS platform to generate Form NXP numbers for capture on the Bill of Lading for export cargoes.

Consequently, all shipment of export cargoes from Nigeria shall with effect from the date of this circular be in accordance with the aforementioned procedures.

For the avoidance of doubt, it shall be a breach of extant regulations for any Shipping Company or Airline Company to take on-board any cargo for which Form NXP is not duly completed and approved on the TRMS platform, failing which severe sanctions shall be meted for such breach, such sanctions shall include refund of the forex value of goods illegally exported as well as Post-No-Debit on all bank accounts Nationwide.

Please ensure strict compliance.



Dr. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

09 46237831
09 46237809
E-mail address: ted@cbn.gov.ng

TRADE AND EXCHANGE DEPARTMENT

TED/FEM/FPC/GEN/01/006

September 7, 2020

**TO: ALL AUTHORIZED DEALERS
NIGERIA CUSTOMS SERVICE
THE GENERAL PUBLIC**

**INTEGRATION OF DIGITAL MARINE INSURANCE CERTIFICATE
WITH e-FORM 'M' ON THE NIGERIA TRADE PORTAL**

This is to inform all Authorised Dealers, Nigeria Customs Service and the General Public that the Nigerian Insurers Association (NIA) digital Marine Insurance Certificate has been integrated with e-Form 'M' on the Nigeria Trade Portal.

Consequently, the NIA's Marine Insurance Certificate shall with effect from Monday September 14, 2020 be part of documentation requirements for the processing of e-Form 'M'.

For the avoidance of doubt, the use of hard copy Marine Insurance Certificate for processing e-Form 'M' is hereby discontinued from the effective date of this circular.

Please ensure compliance.

Thank you.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'O.S. Nnaji'.

DR O.S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT



946237804
0946237802

E-mail address: ted@cbn.gov.ng

CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

TED/FEM/FPC/GEN/01/006

August 27, 2020

**TO: ALL AUTHORISED DEALERS,
BUREAU DE CHANGE OPERATORS and
THE GENERAL PUBLIC**

RESUMPTION OF SALES TO BUREAU DE CHANGE OPERATORS

As part of efforts to enhance accessibility to foreign exchange particularly to travelers following the announcement of the limited resumption of international flights by the Honourable Minister of Aviation commencing with Abuja and Lagos, the Central Bank of Nigeria hereby wishes to inform the General Public that gradual sales of foreign exchange to licensed BDC operators will commence with effect from September 07, 2020.

Consequently, purchase of foreign exchange by BDCs shall be on Mondays, and Wednesdays in the first instance. The BDCs are to ensure that their accounts with the banks are duly funded with the equivalent Naira proceeds on Fridays and Tuesdays accordingly.

Meanwhile, Authorised Dealers (deposit money banks) shall continue to sell foreign currencies for travel related invisible transactions to customers and non-customers over the counter upon presentation of relevant travel documents (passport, Air ticket & Visa).

All Authorised Dealers and Bureau De Change Operators are hereby advised to ensure strict compliance with the provisions of the extant regulations on the disbursement of foreign exchange cash to travellers, as any case of infraction will be appropriately sanctioned.

**DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237804
09 46237802
E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/005

24 August 2020

**TO: ALL AUTHORISED DEALERS/
GENERAL PUBLIC**

**DESTINATION PAYMENT FOR ALL FORMS M , LETTERS OF CREDIT
AND OTHER FORMS OF PAYMENT.**

As part of continued efforts by the Central Bank of Nigeria to ensure prudent use of our foreign exchange resources and eliminate incidences of over-invoicing, transfer pricing, double handling charges, and avoidable costs that are ultimately passed to the average Nigerian consumers, Authorised Dealers are hereby directed to desist from opening of Forms M whose payment are routed through a buying company/agent or any other third-parties.

Accordingly, all Authorised Dealers are hereby requested to only open Forms M for Letters of Credit, Bills for collection and other forms of payment in favour of the ultimate supplier of the product or service. This directive is with immediate effect.

Additionally, in line with best practices around the world, the CBN will be immediately introducing a Product Price Verification Mechanism to forestall over-pricing and/or mispricing of goods and services imported into the country. All Authorized Dealers shall use this mechanism to verify quoted prices before Forms M are approved.

Please ensure strict compliance.

A handwritten signature in black ink, appearing to read 'O.S. NNAJI'.

**DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237800
09 46237804

E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/005

July 28, 2020

TO: ALL AUTHORISED DEALERS,
NIGERIA CUSTOMS SERVICE
NIGERIAN EXPORT PROMOTION COUNCIL
ALL TERMINAL OPERATORS
AND THE GENERAL PUBLIC

NOTICE OF RE-ASSIGNMENT OF PRE-SHIPMENT INSPECTION AGENTS FOR NON-OIL EXPORTS

This is to inform all Authorised Dealers, Nigeria Customs Service, Nigerian Export Promotion Council, Terminal Operators and the General Public of the Federal Government approval for the re-assignment of the under listed Pre-Shipment Inspection Agents (for Non-oil Exports) to the following locations with effect from **August 1, 2020**.

| S/N | PRE-SHIPMENT INSPECTION AGENT | PREVIOUS LOCATION | NEW LOCATION |
|-----|--|-------------------|---|
| 1. | MESSRS CARMINE ASSAYER LIMITED | NORTHERN ZONE | SOUTH-WEST ZONE (Lagos, Ondo, Osun, Ekiti and Ogun States) |
| 2. | MESSRS COBALT INTERNATIONAL SERVICES LIMITED | SOUTH-WEST ZONE | NORTH-CENTRAL, NORTH-EAST AND NORTH-WEST |

Please note and ensure compliance.

DR. O.S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

*Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT*

TRADE AND EXCHANGE DEPARTMENT

09 46237804
09 46237802
E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/004

July 13, 2020

**TO: ALL AUTHORISED DEALERS/
GENERAL PUBLIC**

IMPORTATION OF MAIZE/CORN

As part of efforts by the Central Bank of Nigeria to increase local production, stimulate a rapid economic recovery, safeguard rural livelihoods and increase jobs, which were lost as a result of the ongoing COVID-19 pandemic, Authorised Dealers are hereby directed to discontinue the processing of Forms M for the importation of Maize/Corn with immediate effect.

Accordingly, all Authorised Dealers are hereby requested to submit the list of Forms M already registered for the importation of Maize/Corn using the attached format on or before the close of business on Wednesday July 15, 2020.

Please ensure strict compliance.

A handwritten signature in black ink, appearing to read 'O.S. Nnaji', written over a horizontal line.

**DR. O.S. NNAJI
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237802
09 46237804

E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/003

February 24, 2020

TO: ALL BANKS

**CLARIFICATION ON OPERATIONS OF ORDINARY DOMICILIARY
ACCOUNTS**

Following different interpretations of operations of domiciliary accounts, it has become imperative to clarify the operations of domiciliary accounts as contained in the Central Bank of Nigeria Foreign Exchange Manual Memorandum 25 provisions under reference.

For the avoidance of doubt, all provisions of the Central Bank of Nigeria Foreign Exchange Manual has not changed and remains in effect.

Consequently, all ordinary domiciliary account holders can utilize cash deposits not exceeding USD10,000.00 or its equivalent by telegraphic transfers to fund **eligible** transactions.

As a result, all deposit money banks are advised to desist from misguiding their customers.

Please ensure strict compliance.

A handwritten signature in black ink, appearing to be 'SO', written over a horizontal line.

**DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

09 46237804

09 46237802

E-mail address: ted@cbn.gov.ng

TRADE AND EXCHANGE DEPARTMENT

TED/FEM/FPC/GEN/01/002

February 11, 2020

**TO: ALL AUTHORISED DEALERS/
GENERAL PUBLIC**

MILK AND DAIRY PRODUCTS IMPORTATION

As part of efforts to increase local production of milk, its derivatives and dairy products, the Central Bank of Nigeria has engaged with some companies in the industry who have keyed into the Bank's backward integration program to enhance their capacity and improve local milk production.

Accordingly, all Authorised Dealers are to note that all Forms 'M', for the importation of milk and its derivatives shall only be allowed for the following companies:

1. FrieslandCampina WAMCO Nigeria
2. Chi Limited
3. TG Arla Dairy Products Limited
4. Promasidor Nigeria Limited
5. Nestlé Nigeria PLC (MSK only)
6. Integrated Dairies Limited

For the avoidance of doubt, all established Forms 'M', for the importation of milk and its derivatives for companies other than the above for which shipment has not taken place should be cancelled immediately.

Please ensure strict compliance.

A handwritten signature in blue ink, appearing to read 'SON', written over a faint watermark of the Central Bank of Nigeria logo.

**DR. O.S NNAJI
DIRECTOR**

TRADE AND EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

09 46237804
09 46237802
E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/001

January 30, 2020

**TO: ALL AUTHORISED DEALERS and,
THE GENERAL PUBLIC**

**PROHIBITION OF REGISTRATION OF FORMS M FOR THE
IMPORTATION OF FERTILIZERS**

Further to our circular ref: **TED/FEM/FPC/GEN/01/006** of December 10, 2018 in respect of the above subject, all Authorised Dealers and the General Public are hereby informed that the ban on the importation of all NPK fertilizers and any other variant remains in force.

For the avoidance of doubt, **NO** Authorised Dealer shall henceforth establish Forms M for the importation of these items.

In view of the foregoing, any Authorised Dealer that establishes Forms M for the importation of all NPK fertilizers and any other variant shall be severely sanctioned including the Management and staff responsible for the transaction.

Please ensure strict compliance.


A.S. JIBRIN
For: **DIRECTOR**
TRADE & EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

TRADE AND EXCHANGE DEPARTMENT

**09 46237804
09 46237800**

E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/003

October 28, 2019

**TO: ALL AUTHORIZED DEALERS
NIGERIA CUSTOMS SERVICE (NCS)
PRE-SHIPMENT INSPECTION AGENTS
SHIPPING LINES & AIRLINES
THE GENERAL PUBLIC**

AUTOMATION OF FORM "NXP" ON THE TRADE MONITORING SYSTEM

This is to inform all Authorised Dealers, Nigeria Customs Service (NCS), Pre-shipment Inspection Agents and the General Public of the deployment of e-Form 'NXP'.

Accordingly, the e-Form 'NXP' shall replace the hard copy Form 'NXP' for commercial exports (Oil & Gas and Non-Oil), with effect from October 31, 2019.

Consequently, all Authorised Dealers are required to ensure as follows:

1. That the processing of Form 'NXP' shall only be done electronically on the Trade Monitoring System accessible at www.tradesystem.gov.ng
2. Banks' export customers are required to obtain a valid Tax Identification Number (TIN) from Federal Inland Revenue Service (FIRS)/Joint Tax Board (JTB). The TIN is a prerequisite for customers to access the Trade System for e-Form 'NXP' application.
3. The e-Form 'NXP' is web based and allows the Exporters to initiate the Form from their offices/homes and submit same to the Authorised Dealer Bank.



CENTRAL BANK OF NIGERIA
Corporate Head Office
Central Business District
P.M.B. 0187, Garki, Abuja, FCT

09 46237831 TRADE AND EXCHANGE DEPARTMENT
09 46237809
E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/002

June 20, 2019

TO: ALL AUTHORIZED DEALERS
NIGERIA CUSTOMS SERVICE (NCS)
STANDARDS ORGANISATION OF NIGERIA (SON)
NATIONAL AGENCY FOR FOOD AND DRUG
ADMINISTRATION AND CONTROL (NAFDAC)

NOTICE OF MEETING OF FOREIGN EXCHANGE OFFICERS OF BANKS

This is to inform all Authorized Dealers that the meeting of Foreign Exchange officers of banks has been scheduled to hold as follows:

Venue: Sheraton Hotel Ikeja, Lagos
Date: Thursday July 4, 2019
Time: 9.00am prompt

The meeting shall afford participants the opportunity to discuss developments in the Foreign Exchange Market and proffer solutions for the way forward.

Please be punctual.

AHMED B. UMAR
DIRECTOR
TRADE AND EXCHANGE DEPARTMENT

