



AN EXAMINATION OF THE CBN REGULATORY FRAMEWORK AND GUIDELINES FOR MOBILE MONEY BANKING SERVICES IN NIGERIA

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INTRODUCTION

On the 9th of July 2021, the Central Bank of Nigeria published a guideline and regulatory framework for Mobile Money Banking services in Nigeria. In the light of Nigeria's economic development owing to the nationwide adoption of the mobile telephone, the identification of person-to-person payments has become a practical strategy for financial inclusion and has made it imperative to adopt the mobile channel as a means of driving financial inclusion of the unbanked in Nigeria. In summary, the purpose of these revised provisions is to promote financial inclusion to all Nigerians. This guideline governs mobile banking services.

OBJECTIVES

Jointly, this CBN provision aims to achieve the following objectives:

1. To ensure a structured and orderly development of mobile money services in Nigeria with clear roles and responsibilities of participants.
2. To ensure a minimum standard in the mobile money space.
3. To promote the safety and effectiveness of mobile money services.

MODELS OF MOBILE MONEY SERVICES IN NIGERIA

To achieve the above-stated objectives, the current framework recognizes only

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 partnering with other approved organizations, seeks to deliver online banking services by leveraging on the mobile payments system. This model is applicable in a scenario where the bank operates on a standalone basis or in collaboration with another bank(s) and any other approved organization. The Lead Initiator will be a bank or a consortium of banks. An example is *FirstMonie*, a mobile money platform initiated by First bank of FBN Holdings Plc.

b. **The Non-bank-led Model:** This model allows a corporate organization duly licensed by the CBN to deliver mobile money services to customers. The Lead Initiators, in this case, are corporate organizations (other than a deposit money bank or a telecommunication company) specifically licensed by the CBN to provide mobile money services in Nigeria such as Opay, Momo Agent and Paga. The bank acts as a third party in the transaction.

It goes without saying that a Mobile Money Operator differs from model to model. For example, in the Bank-led model, it is expected that Deposit Money Banks shall serve as lead initiators. Whereas, in a Non-Bank-Led Model, licensed companies (non-traditional banking institutes) serve as lead initiators.

WHO ARE PARTICIPANTS UNDER THIS LEGAL REGIME?

Pursuant to the regulatory framework, the CBN has grouped participants into the following:

1. The Regulators
2. The Mobile Money Operator
3. The Infrastructure Providers
4. Other Service Providers
5. Consumers
6. Mobile Money Agents

IN WHAT SCENARIO CAN MOBILE MONEY BE IMPLEMENTED?

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

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.

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. For example, when a customer uses a credit/debit Mastercard, Visa or Verve card to make payment.

Stored Value Account-Based

Stored value systems are a form of electronic payment technology. They coexist with credit and debit financial system and technology and principally target the low value transactions. This scenario makes use of store value cards. Stored value cards are sometimes called prepaid cards. They are loaded with a certain amount of money. The value of the card goes down every time you use it to buy something or to take out money at an ATM. This mobile money system drives transactions through a system-based account that shall comply with the standards defined within the framework. An example is a gift card from a departmental store. Also, Paga and Opay, offer savings wallets that accrue interest.

WHAT ARE NON- PERMITTED ACTIVITIES FOR MMOs

Mobile Money Operators are not expected to 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 any other activities that may be prohibited by the CBN.

The reason MMOs are excluded from the above stated activities is that these activities require special licenses from CBN. Furthermore, it is important to prevent an unhealthy dominance and monopolistic stretch of the Fintech players.

STANDARDS PROVIDED UNDER THE GUIDELINE AND FRAMEWORK

These CBN provisions are aimed at setting standards that ensure the achievements of the objectives of the Apex Bank for all participants.

They are outlined as follows:

1. **Anti-Money Laundering Regulations:** In addition to the provisions of the requirements prescribed in the KYC (Know Your Customer) Guidelines, the CBN AML (Anti-Money Laundering) document shall also apply to all participants in mobile money services.
2. **A guarantee of Consumer Protection and a Dispute Resolution mechanism:** aggrieved participants can escalate their

complaints to the CBN directly, after a failure to settle dispute within 14 days of settlement talks. The guidelines also permit Arbitration as a final point of recourse of an aggrieved party.

3. **The Modularity of Technologies:** MMOs shall ensure that they guarantee the minimum technology standards for communication (in terms of interoperability and interconnectivity) as well as 99.99% system availability and ensure all signed-on participating institutions must follow same rule. The MMOs are also mandated to properly secure their system and networks.
4. **Infrastructure and Transaction Security Standards:** Participants shall ensure that they provide suitable infrastructure (hardware, software, switching and security) for mobile money services. The MMOs shall guarantee proper encryption of all sensitive information passing through Third-party channels.
5. **Statutory Returns and Annual Reporting:** MMOs are required, at the end of the month and not later than the 14th day of the next month, to submit to the CBN, data and other information on their operations including:
 - a. The Nature, value, and volume of transactions
 - b. Incidents of Fraud
 - c. Nature and number of customer complaints and remedial measures already taken.

CHALLENGES

The following are the challenges noticeable from the implementation of the CBN guidelines.

1. The earlier stated restrictions on the MMOs appear counterproductive to the CBN's national financial inclusion strategy.
2. The guidelines demand a certain standard of operation from MMO's as mobile banking operators but do not offer any structural incentives when compared to traditional banks.
3. It is observed that the dispute resolution strategy under this code involves an initial phase of mediation or settlement and a final stage of arbitration. It is doubtful, that the unbanked or mobile banking user may be able to afford Arbitration as a method of solving disputes. It is suggested that dispute resolution should extend to a Court of competent jurisdiction

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